MUST THE NATION PLAN?

By

BENSON Y. LANDIS

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MUST THE NATION PLAN?

A Discussion of Government Programs

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By
BENSON Y. LANDIS
With a Foreword by CHARLES A. BEARD

There can be no final answer to our present difficulties; there can hardly be even a satisfactory tentative answer until we decide which way we want to go. — HENRY A. WALLACE

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FOREWORD

In the decade that witnessed the close of the War for American Independence, the United States, young and inexperienced, was passing through a great crisis in economy and thought. Finances were in disorder, the currency deranged, industry languishing, unemployed in the towns clamoring for work, and the future of the Republic darkened by uncertainty. In this gloomy period, called "critical" by John Fiske, three parties or factions struggled for possession of public opinion. On the extreme right, one demanded a man on horseback, a monarchy, or an "iron hand" in some symbolic form. In the middle was the party of planning and construction, courageous enough to put forward positive designs for meeting the crisis and daring enough to risk an appeal to the electorate. Far to the left, embittered soldiers of the war, led by Daniel Shays, were moving in the direction of a popular uprising against a system in which they found only poverty and disillusionment.

The party of the "iron hand" is described by Mercy Warren, one of the Mothers of the Republic who has received slight consideration at the hands of our masculine historians. Writing in 1787, she said: "Many of the younger Class particularly the students at Law and the youth of fortune and pleasure are crying out for a Monarchy and a standing army to support it. . . . These joined by the whole Class of the Cincinnati who are panting for a nobility. . . make a formidable body ready to bow to the sceptre of a king, provided they may be the lordlings who in

splendid idleness may riot on the hard earnings of the peasant and mechanic." To this party the prospect of a dictatorship was blocked only by the strength of the democratic feeling widespread in the country.

The party of the middle ground, essentially conservative also, bent to another task. Its members had the temerity to prepare and submit to popular discussion various plans for coping with the crisis. They worked through the regular channels of government to secure the calling of a constitutional convention; they prepared a constitutional draft; they submitted it to the public; they entered the forum to defend it; they put it into effect. If they employed strong-arm methods here and there to force an adoption, they at least avoided the sword. Thus they made a fundamental change in the government and economy of the country by planning and appealing, by proposing and inviting support.

Now we are in another crisis of history. Once more great European nations, having failed to put economy at work, resort to the sword, permitting popular appeal only under the shadow of the gallows. Once more in the United States, light-hearted youth on the right speak of the "iron man." They seem to think, when they think at all, that freezing the economic crisis by violence will resolve the crisis, will set great technology in full swing, providing the social security which is the only guarantee of enduring order. Once more "youth of fortune and pleasure" play with fire—a fire in which they may themselves be consumed. On the other hand, there is the party of planning and appeal, regarded as soft, "liberal," and sentimental by the iron-hearted, steely-souled men of force.

This party is not unaware of the peril of violence, national and international, but it maintains that,

whether violence intervenes or not, the operation of a huge technological society is a perplexing task of the first magnitude, a task that calls for the continuing exercise of social intelligence and social virtues not provided by men of the sword, gas bomb, and armored tank. If anything is to be saved from the flames and smoke of civilization set on fire by the wrath of man, then social intelligence and social virtues will be needed to make the earth habitable. It may well be, then, that the party of planning and appeal is taking the long view, whatever contempt is poured upon it by the "iron men" on the extreme right and extreme left. It has, however, one disadvantage; it cannot speak in the thunderous tones of Almighty God employed by those who are sure they *know* the future. It does not hope to *close history* by presenting a final design of the earth. It is tentative and experimental and of necessity it is willing to have the discussion so hateful to those who are sure that they know the one right thing to be done—by the sword.

This volume by Mr. Landis is not directed to men and women who have shut their minds—not to men of the sword, right and left, or to the large body of respectable citizens who seem to believe that history has been finished by the Constitution of the United States as they interpret it. It is directed to the portion of the American public which adheres to the *method* of the party that made the Constitution — the method of proposal, appeal, discussion, and resolution, followed by actions directed against the crisis in hand. Mr. Landis faces the crisis, provides materials which contribute to an "understanding" of it, and adds apparatus for further guidance and debate. He makes no attack upon those who would confine adult education to pure literature and pure art (if

there are such things in the world), but he seeks to place at the center of that educational activity a supreme issue: How is American society to apply talents to natural resources in a way to produce "the abundant life" and guarantee the perpetuity of popular institutions?

CHARLES A. BEARD.

New Milford, Conn.,
September, 1934.

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INTRODUCTION

"Russia apart, no modern state has undertaken an experiment which even approaches in magnitude or significance the adventure upon which President Roosevelt has embarked." Thus wrote Harold Laski, the English political scientist, who has been a close student of public affairs in the United States.

Paul F. Mallon, one of this country's most experienced reporters, said:

"Before America chooses or loses, she is going to talk . . . America is in . . . the mood of discussion . . . thinking out loud . . . taking stock of the first phase of the New Deal . . . "

This book was written in order to assist in the discussion of current experiments in economic planning. It is an interpretation of the nation's programs, and of the combination of unusual forces which brought them about. References are frequently made to the numerous and conflicting descriptions which many public leaders are making of the programs. The attempt is made to tell what has been tried, and when, and how. Evidences of success and failure are examined. Question after question is raised in regard to both practices and policies.

In form, the book aims to provide both a brief narrative in non-technical language, and a syllabus which may be useful to groups and classes wishing to discuss the experiments in government.

In the midst of rapidly moving events, the task here outlined can only be undertaken with great diffi-

culty. We are all still too close to the programs under way to view them with the desirable perspective, or to make mature or confident conclusions. Because this is the situation, an effort has been made to quote a large number of observers.

BENSON Y. LANDIS.

PART I

THE PROGRAMS INTERPRETED

CHAPTER I

HOW AND WHY THEY CAME ABOUT

History is forcing us to experiment.—*Stuart Chase.*

In 1928 an enterprising Iowa farmer wrote a play. It was an ambitious effort. He aimed to put on the stage, for the enlightenment of his fellows, the struggles of the farmers of the Middle West to improve their economic and political status. In his work he showed a gathering of Middle Western farmers, discussing their troubles. They decided that their worst enemies were in the cities of "the East," among the industrial and financial leaders of the nation. They decided, too, that an onslaught upon them must be made at the nation's capital. Hence it was decided to send a delegation to Washington.

Once there, the delegates endeavored to coöperate with the farmers of the South. They found southern planters already in Washington. They decided to call on them and offer to work together. To the surprise of the humble Middle Westerners, the first meeting resulted disastrously—the planters gave them the "high hat." But the farmers decided to try again and again. The Southerners became more friendly. The Westerners discovered that not all farmers of the South were lordly planters — there were many opera-

tors of small farms. They eventually found they had many common interests with planters and other farmers of the South. Resolutely the Southerners and Westerners pledged themselves to hang together until Wall Street was kicked out of Washington. In the final act, Wall Street was kicked out.

This crude unpublished play had portrayed the beginning – but only the beginning – of a new national drama which had its first act in 1932, a stirring second act beginning on March 4, 1933, and succeeding acts and scenes throughout 1933 and 1934.

Significance of Sections

On August 8, 1933, it was Delta Day at the agricultural experiment station of Stoneville, Mississippi. A large gathering of farmers had assembled at a place where cotton-seed had been bred for years to bear prolific staple. The speaker for the Mississippi farmers was Henry A. Wallace of Iowa, former editor of *Wallace's Farmer and Iowa Homestead,* the new Secretary of Agriculture, and the second Wallace to hold the office. The burden of his talk that day was the need for the cotton farmers of the South "to solidify their common interests" with the wheat and corn belts of the Middle West.

Public events were illustrating once more that the enigma of the United States can be at least partly explained by the significance of the sections. Frederick Jackson Turner, the noted historian, once wrote that the main sections of the United States might be compared with nations, so important were their "complexity and interplay." He thought of the United States as actually a loose federation of sections, not of states. Economists have since said that no state within our nation is of importance as an eco-

nomic unit. John K. Wright, of the American Geographical Society, wrote in 1932: "If the frontier has passed, sectionalism will remain as a dominant factor in the national life."

The coming of the New Deal in the United States cannot be explained without recognizing that it was the South and the West which forced the nomination of Governor Franklin D. Roosevelt of New York as the candidate of the Democratic Party in 1932. Most of the powerful and articulate political and financial elements of Boston and the city of New York, for example, would have none of him. The events of 1932 were a culmination of efforts extending back to the depression of 1921, when the South and the West started voting together for farm relief; and back to the campaign of 1928, when the agrarian wings of both major parties were ignored in both the conventions and the campaign. The long informal alliance of eastern industrialists and middle-western farmers, which had persisted since the Civil War, was finally broken. There had been a shift in the balance of power.

But the New Deal came about because of an unusual combination of social and economic factors, some historical, others immediate. We must review other forces.

Low Prices and Heavy Debts

The New Deal also came because large sections of the population demanded more drastic action to deal with the "great financial readjustment." Never before had we as a people had such heavy debt along with very low prices. The "debt machine," as John T. Flynn called it, had operated to bring much woe to many producers and owners of

property. The technocrats said we had amassed debt much more rapidly than production. Nicholas Murray Butler made the generalization, "the world is bankrupt," adding that it did not have the courage to face the fact and act accordingly. Various estimates were made of the total indebtedness of the people, long term and short term, private and governmental. Some said it was as much as $200,000,000,000. All agreed that interest and "services" on debts were taking a much larger portion of the national income in 1932 than in 1929. Some thought as much as one-fifth or one-fourth of the national income was going for payment of interest or principal of debt in 1932. The total income of the people had dropped from around $85,000,000,000 in 1929 to around $45,000,000,000 in 1932. For example, copper sold for five cents a pound in 1932, compared with 18 cents in 1929; prices of farm products sank to the lowest figures in a generation. There was much informed opinion that this was no ordinary business cycle. It was a major crisis, with new elements that must be dealt with. Therefore new means must be used.

As the national income declined, delinquency of taxes mounted. Consequently, by 1933, some 2,000 local governments, including over 600 cities, had defaulted on their bonds. Bankers great and small feared a disastrous collapse in the market for municipal bonds. Urban home owners were in serious straits, but were not articulate. It remained for farmers, usually a conservative and unorganized group, to raise their voices so that they could and would be heard. It was the farm revolts that really shocked the nation, and threw fear into the heart of many a creditor. The revolting farmers declared, in a word, "You cannot deflate to the bitter end. We will not permit you to do it. We will not allow our

homes and our farms to be taken from us." These revolts took various forms — strikes, particularly among dairymen; protests against sales of lands for unpaid taxes; "penny auctions" to forestall foreclosure. Most of them were organized efforts to prevent or circumvent the due processes of the law.

We must, it was said, have moratoria on mortgages — and state after state allowed these breathing spells. Many believed we had to write down debts so as to recognize the new low price levels — and here and there that went on on a small scale. But to do that one had to go either to the bankruptcy courts, or debtors and creditors had to arrange voluntary agreements. All our legal precedents favored the rights of creditors in such situations. The constitutions of the nation and of the states certainly did. We had had as part of our legal procedure great reverence for the "sanctity of contracts." The federal and state constitutions had usually been interpreted as protectors of property. So that there was, under the Constitution, no systematic way to write down debts, desirable as that course might be. Stubborn creditors could usually hold up everything. Thus the issue remained: Prices were too low to permit payment of many debts; there was no way to get debts down to any large extent.

The other way was to try means to raise prices, and thus try to stop deflation. This was what the Roosevelt Administration decided, and it was one of its great decisions, if not the greatest of them all. It would try by deliberate direction to grapple with the great deflation. It would try to raise commodity prices, as the President once promised, "by one means or another." It became a debtors' government.

Mounting Unemployment

It was mounting unemployment that baffled the urban community, shocked it from some of its traditional moorings, and made it willing to "move in new directions." Localism in unemployment relief broke down early in 1932, but only after almost superhuman efforts had been made to move President Hoover away from his belief that local initiative was the "American way" to deal with international disaster. At any rate something happened after the leaders of certain of the American railway trade unions had sent Mr. Hoover a memorandum saying that if unemployment relief was not made more adequate they could no longer be responsible for the safe operation of the railroads. Thereupon the Reconstruction Finance Corporation was authorized by Congress to make loans to the states for unemployment relief — loans that every sensible or informed person knew would never be repaid.

We did not know how many workers were unemployed. We were said to be the only great industrial nation that did not know. But there were various reliable estimates. Some thought as many as 15,000,000 workers, having in all about 35,000,000 members in their families, were unemployed early in 1933. Certainly, the relief rolls were mounting. Many of the cities and counties were breaking their backs, trying to bear the relief load. To what extent our employment was "technological," i.e., due to advances in labor-saving machinery, inventions, discoveries, etc., was a disputed point. But certainly the machine was an important factor. We had demonstrated that we had inadequate social control over machinery, as well as over technical developments of much significance. Our industries had

become more and more centralized, but they had proven themselves altogether incapable of dealing with the unemployment situation.

Industrial workers, urban professional groups, the "middle classes" thus voted in large numbers for the New Deal. They helped to establish what was in effect a farmer-labor government in the United States.

The Changed Minds of March Fourth

"I am a banker. I do not regard myself as a member of President Roosevelt's party. But, believe me, I am for him now and for a long time to come. I changed my mind on March 4, 1933." This frank, personal testimony, could be duplicated many times, if not for bankers, for many other vocations. Harry Emerson Fosdick observed that we were facing "an indignant, determined revolt against misused power." The events of February and March, 1933, go far to explain the complexion of the New Deal throughout 1933 and 1934. They explain particularly that the Administration became a more radical government than its leaders had contemplated in 1932.

By the time the new administration came into office, nearly all the banks had been closed in the wealthiest nation of the world. To all intents and purposes all the banks were closed, even if here and there a few were open or others functioning under restrictions. A disgraceful banking system finally lay prostrate. Because this was the case, President-elect Roosevelt rewrote his inaugural address. It became a more stirring and challenging document. The elements of the crisis became focused in the federal government, and, what is perhaps more important, millions of people became willing to have a more coöperative or collective effort to achieve recovery.

The dominant philosophies of the people of the United States have been those of *laissez-faire* and rugged individualism. Even though millions of the once rugged had become so ragged as to be in shreds, we had as a nation muddled along, expecting the "natural forces" to bring a turn in the business cyle. But when all the banks were closed, Messrs. Morgan and Rockefeller were finally in the same boat with the humblest Mississippi farmer and the unemployed carpenter in Minneapolis. All of the people finally had the same experience, and there were serious and socially-minded people who believed it was the most salutary thing that had happened for many a moon.

We must go about it collectively, become the national mood, at least for a short time. What do we mean by collective action? Collectivism is a vague and difficult word — like capitalism, education, or religion. It may be defined to mean any coöperative effort by individuals; or it may be used specifically to describe the new Russian farming, for example. To the people in the few months immediately following March 4, it meant a willingness to go along with large-group, coöperative effort such as we had never seen in peace time in the United States.

Enlarging Functions of Government

That meant looking to Washington as never before except in war. It meant centralizing affairs in the national government, adding tremendously to its functions, exalting the executive. The wolves of the depression had to be shot, and that must be a one-man job. The banks must be opened quickly, but they must get a license from the executive in order to do so. An unprecedented condition called for the trial of new means to rescue agriculture; therefore extraordinary powers were conferred for a limited

period on the Secretary of Agriculture. To begin a work of national conservation, the President was authorized to employ 300,000 men in forestry and flood control projects. In the giving of relief, Congress decreed that the decision of the new federal administrator of relief would be final in determining an expenditure. He could step in and take over any state system of unemployment relief whenever in his judgment the situation and the public interest required it. Later he did so, in several states.

Because of the social philosophy of President Roosevelt, his Cabinet, and the dominant mood of Congress, the drive of the government became "two-headed"— toward both revival and reform, or toward both recovery and reconstruction. Congress forced the insurance of bank deposits and the reform of the banking system. The South and the West were determined both to try to establish effective farm relief — and to punish and reorganize urban industry. As we shall later see, the objectives of revival and reform got into each other's way, and made it difficult for many a citizen to understand his unusual government.

The President Himself

The New Deal also came about because of the President himself, his ability to be sensitive to varieties of interests, his capacity to find middle ground for uniting groups in experimentation, his powers as an interpreter, even his excellent radio voice. Mr. Roosevelt was forced to be a prophet, an administrator, a publicity man, a politician — all our Presidents must be politicians. Norman Thomas said of him: "Mr. Roosevelt, however short of Socialism his program falls, has given us at least modest grounds for hope in the possibilities of democracy and of ef-

fective leadership which falls short of true dictatorship."

The President demonstrated rare skill in choosing advisors of varied experiences and interests. He secured counsel from the right and the left, and confounded all the dogmatic observers of his régime. One could not easily generalize about him. He was, some one said, "playing by ear." He was, said an editorial in *The Saturday Review of Literature,* practicing "pragmatism with a vengeance." He once said he must go forward very much like the quarterback of a football team, frequently changing his signals.

He knew his United States. He had been a student of James Madison, who stated so clearly that the eternal problem of government was that of dealing with conflicts between economic interests. Among the American statesmen, it was once said, he most admired Thomas Jefferson. He thought not particularly of the Jefferson who exalted agrarianism over against the "hordes of the cities," but rather of the Jefferson who held that the ideal of the government was "universality of interest."

As an administrator he demonstrated flexibility. This was particularly evident in the handling of relations in Congress. At one difficult point William Hard observed: "The Roosevelt Revolution . . . takes on the form of a folk-movement, led by an inexhaustible translator and interpreter." What seemed to please him most was the remarkable increase of interest on the part of the people in the government. He once remarked that most of the observers of the administration missed this point. He was deluged with mail. He was criticized mostly from the far right and the far left. One could read that he was both a Fascist and a Communist, according to the

bias or the fears of the observer. He was, of course, neither. He was the leader of a liberal crisis government, working his great powers experimentally, conducting an experiment in the control of capitalism for the general welfare, understanding the American social heritage, seeing the American scene, and making certain sharp departures from the past.

CHAPTER II

AGRICULTURAL ADVENTURES

> The most important problem before the American people is to raise the purchasing power of the farmer.—*Raymond Moley.*

A GREEN and citified traveling salesman was making little progress with a middle-western country storekeeper, who refused to stock up with goods because "farm conditions were so bad." Finally, the salesman burst out: "What *is* the trouble with the farmers, anyway?" The country storekeeper was prepared with a reply. On a scrap of paper he wrote:

"1 Bu. Wheat = 1 Pr. Overalls
"2 Bu. Wheat = 1 Pr. Overalls."

He added by way of explanation: "When the first is true, things are O.K. in the farming country. When the second is true, look out!" The country storekeeper had, perhaps unwittingly, got to the heart of the agitation for farm relief. Organized agriculture had been agitating since 1921 for "fair exchange value," or "parity." It wanted "fair price relationships," or a better balance between the rural and the urban community. And it had many glaring facts on its side.

The Drive for Farm Relief

Prior to the World War, the people engaged in agriculture received as a reward for their labors and investments 20 per cent of the national money in-

come; during the post-war period, even during the "prosperous" years, agriculture received only 10 per cent or less of the national money income. One reason was that the costs of urban distribution, driven up in time of War and boom, remained very much higher than they were during pre-war days. It must be noted that, before the War, a larger proportion of the people were engaged in farming than in the post-war years, but the share of the income declined much more rapidly than the number of workers. To have regained pre-war status, agriculture would have had to have 16 or 17 per cent of the national income, rather than 10 per cent. During the years 1925-30, for example, the 25 per cent of the total population engaged in agriculture received only around 10 per cent of the income. This was perhaps the most important fact which underlay the farm-relief drive.

For a number of years the slogan of the advocates of farm relief centered around the McNary-Haugen bill. It got to be called the "Mary-Haugen" bill, too, and some one remarked that Mary Haugen seemed to be wearing a new dress every few months. Although it appeared in various forms, the McNary-Haugen bill really had one objective — to dispose of alleged accumulated surpluses of certain staple crops abroad, and in the process "make the tariff effective for agriculture." It was a conservative, high-tariff measure. President Coolidge, himself a Vermont farm boy, prevented the measure from becoming law. He had become interested in protecting other interests than agriculture, but his attitude was also evidence that the Eastern farmer was little interested in McNary-Haugenism. President Hoover's Federal Farm Board, established because of pressure from the West, helped to take surpluses from markets and

worked on the theory of "holding for time." The stocks accumulated were to be sold later when prices were more favorable. But the trouble was that the experiment was begun in 1929, and commodity prices declined all through its history. The Federal Farm Board lost $360,000,000 out of the $500,000,000 revolving fund which had been voted by Congress. The new administration decided upon a quick liquidation of the old Farm Board's holdings.

Trying New Means

A new attempt at farm relief was on the schedule for early action after March 4, 1933. President Roosevelt said in a short and crisp message to Congress: "An unprecedented condition calls for the trial of new means to rescue agriculture." On March 25, 1933, Henry A. Wallace appeared before the Senate Committee on Agriculture and Forestry with his statement of the case for "granting broad and flexible powers" to the executive branch of the government, because "production and marketing conditions for the various basic agricultural commodities vary from one another." In one sentence he summed up a great many aspects of the agricultural emergency: "The farmer is in a disadvantageous position because of uncontrolled production; loss of foreign markets; a protected market for the things he buys; increased overhead costs, such as taxes and farm indebtedness; loss of consumers' purchasing power during the present emergency; and finally because of increased distributing and transportation costs." The Secretary made a plea that the farmers' problem was everybody's problem. He showed what a strain the low farm prices had put upon the credit structure. He pointed out that increased farm purchasing was necessary to employ urban labor. He knew the international situation, too. One acre out of every six

or seven cultivated between 1920 and 1930 had been used to produce crops for export. The drastic decline of international trade since 1930 had taken away many of those markets. Agriculture faced a gigantic task of readjusting its plant to a new world situation. An attempt must be made, he held, to secure control over production, to try to regularize production in relation to effective demand. This meant, except for cotton and a few other crops, largely adjusting to the domestic demand.

But congressional debate raged for two months and it was not until the middle of May, 1933, that the farm relief law was passed. It came out a much enlarged measure, including the now famous inflation rider, to be discussed in Chapter IV. A variety of extraordinary powers were granted to the Secretary of Agriculture to enable him to restore the "fair-exchange value" for agriculture which had obtained during the years 1910-1914. In fact, the Secretary was instructed, by the terms of the bill, to restore what many have regarded as "the golden age of agriculture," in technical language "the era of satisfactory price adjustments," when it is thought that the purchasing power of farm products was "normal." (For tobacco the "base period" was to be the average price obtained between 1919-29, rather than the pre-war years.)

Certain crops were named "basic" and for only these the most drastic means specified might be used. They were, according to the Agricultural Adjustment Act, cotton, wheat, corn, hogs, dairy products, tobacco, and rice. By amendments in 1934, sugar, cattle, rye, peanuts, barley, flax, and grain sorghums were added. For them, "processing taxes" might be levied for the purpose of paying "benefits" to cooperating farmers who agreed to comply with production plans. Distributors and processors might be

licensed. To illustrate, if the plan was applied to wheat, individual farmers would make agreements with the Secretary of Agriculture as to allotments of their production, and millers would pay the processing tax on flour. The funds thus collected would be returned only to the coöperating farmers. For the basic commodities or any other crops, "trade agreements" might be negotiated between farmers or associations of farmers on the one hand and the distributors of their products on the other. These would be essentially devices for price control and price fixing. (Incidentally, such agreements would formerly have been illegal under the Sherman Anti-Trust Law.) But the new Agricultural Adjustment Act specifically provided for such experiments, and, as we shall later see, they have since been made for a number of crops.

The Agricultural Adjustment Act does not simply aim at raising farm prices. It aims at increasing farm purchasing power. This means that, if all prices rise, farm prices must rise more rapidly than others, in order to attain the objective. This aspect should be emphasized, if only to point out the difficulties of the task. Again, the Act is to cease to be operative for farm products if the objective of fair price relationships shall be attained. Thus the Act was written in terms of the emergency. It did not attempt any reorganization of the methods of the farm business. It did not aim at making any fundamental changes in the wasteful and disjointed distribution system. It was thus far from a radical measure, considered in terms of social reconstruction. It operated fairly consistently within the *status quo*.

Agricultural Planning Started

With interstate transactions in farm products declared by Congress to be "affected with a national

public interest," the Agricultural Adjustment Administration plunged into its task. The first administrator was George H. Peek, once a colleague of General Hugh S. Johnson, and one of the originators of the McNary-Haugen plan. He later resigned over differences in policy, he upholding the more conservative course, and was succeeded by Chester C. Davis, formerly Commissioner of Agriculture in Montana. With the start made on May 15, 1933 it was too late to do much about 1933 crops. This was a distinct disappointment. It really meant that the first year when a fair application of the new means could be tried would be 1934.

Let one point above all be clear. No two commodities were handled in the same way. Furthermore, in less than six months, there were cleavages between men over both policies and practices. One group, considered the left-wingers, pushed hard for production-control devices, access to distributors' books in order to make studies of costs and profits, the licensing of processors or distributors, and a much more active governmental intervention in private business than the NRA (see Chapter III) was making. The other group, considered conservative, wished to emphasize trade agreements (i.e., price control), rather than production control measures; wished to preserve the profit motive in distribution; and looked askance at licensing business men. In the clash, Secretary Wallace sided with the former group. Some of the codes which did not apply to "first processing" of products were transferred to the NRA, and a major reorganization of the AAA was undertaken early in 1934.

Crop by Crop

For the wheat crop, a three-year plan was worked out. An international agreement on volume of exports, which had been negotiated in 1933 by a section

of the World Economic Conference that was called in London by the League of Nations, seemed to be of assistance in 1933, but the wheat conference ran into trouble in 1934. The allotments of production are to be determined year by year. For 1934, a cut of 15 per cent in production was determined upon. The contract signed by coöperating farmers with the Secretary of Agriculture stated that the maximum reduction for any one year would be 20 per cent. A processing tax of $1.38 a barrel of flour or 30 cents a bushel of wheat was levied, effective July 9, 1933. It is calculated to raise about $100,000,000 annually for the benefit payments to coöperating farmers. County committees of farmers, in coöperation with the agents of the Agricultural Extension Service, worked out allotments of production per farm. Bread prices advanced about 1½ cents a pound to the consumer as a result of the processing tax. By administrative ruling, the plan applied only to the counties where wheat production was heaviest. There was much anxiety, however, lest many farmers in the East and the South, where wheat had not been grown extensively, would take a chance and "go into wheat" for a year or two. It is not at all certain, incidentally, that consumers will eventually pay all processing taxes, as it worked out for wheat and bread. In the case of other products, e.g., pork, consumers can easily make substitutions, and it may be that distributors, or even the farm producers themselves, will sometimes pay part of the tax, if there is any semblance of a "buyers' strike."

For rice, to choose a quite different illustration, no processing tax was levied. The main buyers of the product agreed to pay producers a fixed price for a fixed amount. They made no guarantee to take more than that amount. In return for the advance

in prices at the farm, growers agreed to reduce production for a period of two years.

Cigar-leaf tobacco presented an interesting problem. It was the only crop for which a full plan for 1933 could be worked out before planting came around. There was a five-year supply of this tobacco crop in warehouses. (Normally a three-year supply is stored: tobacco must be aged and cured.) Considerable production control was called for, with high benefit payments per acre. About 70 per cent of the growers coöperated in 1933, but they represented only about 60 per cent of the acreage. In 1934 the non-coöperators were to be given another opportunity to participate. It will take several years to appraise results.

Trade agreements were negotiated for the sale of certain fresh fruits and vegetables to large buyers, such as packers and canners for the 1933 season. These resulted in improvements in prices to producers.

The dairy industry proved to be a "national puzzle." Secretary Wallace made one address in Wisconsin, simply expounding "the dairy dilemma." Producers' prices were ruinously low. Farmers had been called upon to absorb most of the reductions which had been made in consumers' prices between 1929 and 1933. The centers of the controversy were large, metropolitan fluid-milk markets. The great cities have high standards of quality which must be met for fluid milk intended for sale directly to consumers. The health departments of cities inspect all farms periodically. Competition between farmers has always been keen in the big "milk sheds." Something should be done quickly because of a desperate situation, and yet what was it?

Ten states established milk-control boards, with

varying powers, some intending to control production and fix prices. New York, New Jersey, and Connecticut, for example, all fixed prices to both producers and consumers, thus controlling middlemen's margins. The AAA (Agricultural Adjustment Administration) fluid-milk policy at first was a tentative one. Trade agreements were negotiated in the major metropolitan markets. These called for price control. One after another they broke down because there was too much evasion all around. The bonds had to be stronger. Throughout the first half of 1934, new agreements were negotiated, and only producers' prices were fixed. Distributors were licensed. The AAA was seeking earnestly for something that would meet the situation, would be observed, and could be enforced by law if necessary. The plan was put into effect, milk shed by milk shed. A national plan was also worked out in 1934, but farmers rejected it. Dairy leaders could not agree on anything, it seemed.

For hogs and corn, first a temporary plan of buying up about 5,000,000 young pigs and 1,000,000 sows about to farrow was put into effect in 1933. A great many young pigs were offered, but not the quota of sows. The "birth control" plan apparently did not succeed. Later a processing tax was levied, and in 1934 a large sign-up was made on a plan to reduce both corn and hog production around one-fourth. Here was one of the difficult commodities. Consumers could substitute easily for pork, and they did so when prices advanced.

Working out sugar quotas was also "no bed of roses." Our domestic beet-sugar industry has developed in an artificial situation, under high protection. Louisiana and Florida both produce some sugar from cane. But most of the sugar consumed in

the United States is imported. Early in 1934 quotas of imports and of domestic production for both cane and beet sugar were worked out and submitted to Congress, asking that sugar be declared "basic." A sugar-control act was soon passed. In his message, President Roosevelt said that consumers in the United States were paying about $200,000,000 yearly for the sake of keeping the comparatively small, local sugar industry going. He said the situation should be faced by the public, but recommended no immediate change in import duties. There were well-informed persons who thought the President's estimate of the levy on consumers much too conservative.

King Cotton

The story of cotton requires separate treatment, because of the stirring events in that region during the short space of little more than a year. About 40,000,000 acres have during recent years been planted to cotton. The AAA worked out a plan in 1933 to limit allotments to three-fourths of the normal acreage, levy a processing tax, and pay benefits to coöperators. A vigorous campaign was put on in the summer of 1933. It brought to public notice the first effort to destroy part of a planted crop. That sign-up was successful so far as acreage was concerned, and it appears that plants on 10,000,000 acres were plowed under. It was said that many mules had trouble adjusting to the new plowing; they had always been taught to walk between the rows, and it was hard to walk ruthlessly upon the plants. There had been a heavy carry-over of cotton, but for various reasons, including probably international currency depreciation (see Chapter IV), producers' cotton prices rose from a low of about 6 cents a pound in 1932 to about 12 cents a pound in the first half of

1934. There was some evidence that the poorer lands had been abandoned, and that there was very intensive cultivation of the cotton which remained. A good crop of 13,000,000 bales was harvested in 1933.

Thereupon a more ambitious plan for 1934 was submitted to planters. It called for an acreage in 1934 of 25,000,000 instead of 30,000,000 as in 1933. The aim was a producer's price of about 17 cents a pound. The total benefits to be derived from processing taxes were estimated to be about $175,000,000 for 1934. By February, 1934, sufficient support for the plan was evident from the planters. But these measures looked inadequate to many farm leaders of the South. The carry-over of cotton was still around 7,000,000 bales, with recent annual consumption around 13,000,000 bales. Planters were buying fertilizer in larger quantities than at any time since the depression, and intensive cultivation of the acreage planted was evident. Many farmers who had not been growing cotton were said to be waiting to plant it in 1934. Further, there was much public sentiment that the planter who was unwilling to display any voluntary coöperation should be forced to enter some planned scheme.

Thus a plan of compulsory coöperation received national attention. Secretary Wallace was a reluctant convert to it, and consented only after he had sent a questionnaire to growers. About 85 per cent of those replying were in favor of compulsory coöperation. This result was said to have been brought about by considerable "whooping it up" throughout the South. At any rate, Mr. Wallace finally stated he favored it as a test. The Bankhead bill provided for limiting the 1934 cotton crop to 10,000,000 bales, compared with about 13,000,000 in 1933. Control was to be exercised at the gins. Any amounts ginned beyond

the limit would be taxed prohibitively. John H. Bankhead, Senator from Alabama, said compulsory control was a necessity. President Roosevelt somewhat reluctantly endorsed the idea, even though Secretary Wallace said: "I had hoped we would not get into the field of compulsory coöperation. I preferred education." He feared bootlegging, and a highly difficult job of enforcement. Congress discussed the plan at length, but passed the bill, and the President signed it. King Cotton thus presented us with a trial of compulsory farm coöperation in the United States. A somewhat similar plan for certain types of tobacco was authorized in the final moments of the 1934 Congress. In the Middle West some agitation for compulsory coöperation and the licensing of farm producers continued.

The Right Use of the Land

Steps were taken to secure a wiser use of farm land. President Roosevelt approved in 1934 a plan worked out by Rexford G. Tugwell, assistant secretary of agriculture, to start an experiment in purchasing "sub-marginal" farm land and taking it out of production. From the Public Works Fund $25,000,000 was allocated to the newly created Federal Surplus Relief Corporation, to enable it to purchase between 3,000,000 and 5,000,000 acres of very poor lands. The total area of definitely sub-marginal land in the country was said to be between 25,000,000 and 40,000,000 acres. The locations of lands to be purchased were not publicly announced, but it was stated they would be acquired in large blocks. Lands would be put back into forest, or used for wild-life refuges, recreational purposes, etc. In criticism of the program two points were made: (1) The lands were not those adding much to agricultural production; and (2)

What was to be done with the people now living on the lands? But the protagonosts said it was a step away from "the present wasteful, disorganized, and aimless system" of land use now obtaining. F. A. Silcox, the new chief of the United States Forest Service, said in 1934 that the nation should look forward to increased use of its forests for employment purposes. He said there were three choices: increased public ownership, a radical change on the part of private owners, or some combination of both.

Refinancing Debts

In 1910 the total mortgage indebtedness of agriculture was equal to one-half the annual gross cash income from farm production. In 1932 the total mortgage debt of farm property was equal to almost double the annual cash income.

Those figures showed the farm credit emergency. Debts always become relatively heavier in times of falling prices. It is one thing to pay a $5,000 debt with 5,000 bushels of wheat, and quite another to have to raise 12,500 bushels of wheat to pay the same debt. By the time the Roosevelt administration came on the scene, the farm mortgage situation was more desperate than any one person knew. By an executive order, all government credit agencies were consolidated under Henry Morgenthau, Jr., as governor. Later legislation established a unified government credit system, known as the Farm Credit Administration. An appropriation of $2,000,000,000 was made to refinance first mortgages on farms, almost one-fourth of the total outstanding. (The existing Federal land banks already held about $1,500,000,000; thus the federal government soon promised to become the chief creditor of agriculture.) The interest on the new bonds to be exchanged for outstanding

mortgages was guaranteed by the government in 1933; by action in 1934, the principal was also guaranteed in order to provide a market for the bonds. Within a little over a year more than $1,250,000,000 was loaned, and the business was going on furiously. Over 5,000 appraisers were at work. By the summer of 1934, the Farm Credit Administration was making about three-fourths of the mortgage loans being recorded in the United States.

A fund of $200,000,000 was also voted in 1933 to make second-mortgage loans. A new Central Bank for Coöperatives was established. Over 600 new local production credit associations were formed, reaching all the farmers of the nation. These were coöperatives which borrowed money, in turn, from the Intermediate Credit Banks that have been functioning since 1923. It certainly looked as though the financing of agriculture, once a wholly private function, was rapidly becoming a public one.

Public Reaction to the Program

During 1933 and 1934, the people had perhaps the most extensive discussion of public policy in relation to agriculture that had ever taken place in the United States. That was not the least of the results of the program.

Farm income in 1933 was 25 per cent higher than in 1932, and that of itself impressed the rural community considerably. This was accounted for largely by increases in prices for field crops. Government benefits were a small factor in 1933, and probably monetary policies loomed much larger. For 1934, the total government benefits were estimated to be $1,000,000,000, as compared with $155,000,000 in 1933. The Middle West and the South were to receive the largest share of the payments. But the

index of the purchasing power of all farm products published by the Bureau of Agricultural Economics was, in June, 1934, about where it stood in 1933. This was because prices of things farmers purchased had advanced just about as rapidly as prices of farm products. The products declared "basic" in 1933 made a much better showing than the whole group, however.

Secretary Wallace felt, after almost a year's trial, that there were conspicuous elements of success, although he knew the AAA would always be a storm center. He believed that the total farm income for 1934 would be almost $8,000,000,000 in 1934, as compared with slightly more than $6,000,000,000 in 1933. But he made plea after plea for "social discipline" from farmers. He knew the plan adopted was workable only if there were intensive voluntary coöperation, along with governmental intervention. Would agriculture become capable of the self-imposed discipline? And how long would it stand for governmental supervision?

From the South came persistent reports of tenants, white and Negro, being set adrift and being unable to find a place because of the crop-reduction program. Negro leaders were most apprehensive. Crop allotments were solely in the hands of white men on the county communities. The most vehement criticisms of all probably came from the left. The socialists said the plan was neither comprehensive nor adequate. They generally believed that distribution of farm products by government was necessary.

The widespread drought of 1934 reduced crop production about one-fourth below the average of recent years, according to preliminary estimates, and brought about a reconsideration of the whole program for 1935.

CHAPTER III

INDUSTRY STARTS PLANNING

> More and more we are merging control of our politics and economics in one centralized body.—*Owen D. Young.*

It was in an industrial town of Vermont, the "school home" of Calvin Coolidge, i.e., the place where he went to the "academy." A committee was working furiously to get all employers to sign the "blanket agreement," technically "the President's Reemployment Agreement." Soon the NRA signs appeared in such numbers that it was remarked that the town was plastered with them. Mills that had been working their employees shamefully long hours suddenly went to two shifts per day. Employment spread. Money circulated through more hands than had been the case since 1929. There was at least a "boomlet" in the region. Some one remarked how merciful it was that Calvin Coolidge never had to see all those NRA signs, never had to witness such public control over industry. Another soberly said: "What a far cry from the generation of Mr. Coolidge."

Throughout the world probably the best-known of our experiments under way was that for industrial planning under the National Recovery Administration. For a time it received nearly all the headlines in the United States, and it was soon said that Hugh S. Johnson, the administrator, had become the "most-quoted" man the country had ever had. The NRA was also a two-headed instrument, seeking both recovery and reconstruction, and which of the two was the more important was a matter of continual dis-

pute. It was set up in order to grapple with mounting unemployment and all the attendant evils. An estimate published in *The United States News* indicated that whereas in March, 1930, slightly less than 10 per cent of the nation's industrial workers were unemployed, by March, 1933 almost 45 per cent were without work. Responsible business men were huddled in many conferences. When a reporter discovered one such meeting and asked what it was all about he was told: "They're devising the ways and means of asking the federal government to take them over. But that's off the record."

That large sections of urban industry were prostrate was putting it mildly. Wages had been driven down and down in many trades and factories; they got to the levels of sweatshops in too many to mention. Here and there people gave up their jobs in despair, and went on the public-relief rolls. Why should one work three days a week at $1.50 a day? The brutal competition of private enterprise made it possible for the unscrupulous to take their heavy toll among the public spirited. They too had to succumb to price cutting and wage cutting. The farm-relief law just enacted was asking urban consumers to pay more for food. Was not a device needed to increase urban employment and purchasing power? Was not this a time to start a large government-spending program for public works, so as to prime the pump for industry, and get it started upward once more? Finally, the new program was made possible by the changed and chastened temper of numerous industrialists. Perhaps for the first time in the history of the country, they had lost faith in private enterprise, in the "natural forces" which had operated to bring a turn in every previous business cycle. All previous attempts at recovery had failed. Was something much

more drastic needed? Must men give up liberty of action for group coöperation, for vigorous governmental intervention? It seems that many decided they must. Many thought it must be for a short time only — for recovery. Others believed it was for the long pull — that a reconstruction was simply inevitable.

The NRA—A Crude Social Invention

Like the AAA, the NRA is a crude social invention. In an address given in the summer of 1933, Secretary Wallace said that both must be compared for their crudity to the first automobile. The kind of economic planning to be determined upon had of necessity to be one that could be put into effect in a short time. It had to be, to some extent, helter-skelter planning. Although any kind of comprehensive planning would be a break with the past, it was natural that Mr. Roosevelt's conservative constituency would not want too sharp a break with precedent. The plan adopted called for a combination of: (1) intensive voluntary coöperation, mainly by existing trade associations (i.e., organizations of managers and employers); (2) governmental guidance and supervision, with power to the government to step in and regulate if voluntary coöperation was not forthcoming; and (3) a public works program. It was plainly a middle-of-the-road program, neither Fascist nor Communist, but with germs of the former rather than of the latter.

The *ABC of the NRA* has been described in a book by a group of scholars working under the Brookings Institute as follows:

"A desperate business situation . . . opened the way for new and unconventional experiments in economic policy. . . . The National Industrial Recov-

ery Act is primarily a piece of enabling legislation, giving the President unprecedented peace-time powers. . . . The Recovery Act may be said to imply a partial loss of faith in the individualistic organization of economic activity. This may be thought of as temporary and related merely to a state of industrial depression, or as something deeper and more permanent. . . . It is perhaps proper to regard the NRA, in its recovery aspects, mainly as a pragmatic experiment, based . . . upon a belief that unrestrained competitive forces were ruining the country and that the process must be halted by collective action." The National Recovery Act provided, they said, for limited self-government by industry under governmental supervision, but with the government holding in reserve the power for rigid control if industry did not satisfactorily set up that limited self-government.

Getting Under Way

President Roosevelt, on signing the Act, said he believed it was the most important piece of legislation every passed by a Congress of the United States. The law was labelled "emergency" and was to be in effect for two years, from June 16, 1933 until June 16, 1935, unless the President by proclamation or Congress by resolution declared the emergency over. The power to license granted to the Executive, was to be in effect for only one year. It expired June 16, 1934, and no attempt was made by the Administration to ask Congress for its renewal. Industries which submitted acceptable codes of fair competition were not to be subject, so far as the practices mentioned were concerned, to the anti-trust laws. But the new plan was not to set up monopolies. The whole organization and the approval of codes were to be directly under the control of the President. The President

was not required to do anything. He did not have to approve a single code. He might designate such assistants as he needed, without regard to civil service laws. (Nearly all the employees of the emergency administrations are not subject to civil service requirements.) Hugh S. Johnson, the administrator of the NRA, had a number of deputies; and a far-flung organization was quickly set up. There was a labor advisory board, an industrial advisory board, and a consumers' advisory board, all to give advice and criticism in the making of codes. There was a legal division, a research and planning division, a compliance division, and others. The experiment to create codes of fair competition, under governmental sanction, got quickly under way. It was soon evident that an attempt would be made to increase purchasing power by raising labor costs, that schemes of price control would figure prominently in the experiment, and that relations between employees and employers would be not the least important in the enterprise.

The first code approved by the President was that for the cotton textile industry. The public hearing on it excited great public interest. The code was drawn up by a group representing about two-thirds of the production of the country. It was an industry that had conspicuously failed "to govern itself" in the past. As submitted on June 16, 1933, the proposed code called for a forty-four hour working week, a minimum wage of $11 a week in the North, $10 in the South, and a recognition of the right of collective bargaining by employees. By the time the hearings were over, a provision abolishing work by children under sixteen years of age was inserted, minimum wages were raised to $12 a week in the South and $13 in the North, for a week of 40 hours, and machinery might be operated only 80 hours a week.

By July 10 the President had accepted the code and put it into effect for a trial period of four months. He made thirteen interpretations and conditions, however. One was that a plan must be worked out later to provide minimum wage rates for "cleaners and outside workers." (In the South, these were mainly Negroes.) A minimum wage was later worked out for them, and approved, calling for payments equal to 75 per cent of the minimum for other workers.

By the time the publicity on the cotton textile code had got around, the public was made aware of some of the more important provisions of the new law. The President had power to approve codes submitted, but he also had powers to prescribe and impose a code if none was forthcoming. A code approved by the President became at once the standard for a trade or industry, and violations were deemed unfair methods of competition. Violators were subject to a fine of $500, each day of violation constituting a separate offense. The President might increase tariffs or impose quotas upon or embargoes against imports in order to carry out the purposes of the Act. The President might make agreements, or approve voluntary agreements, between labor organizations and individuals or industrial organizations. If he found on investigation that practices opposed to the purposes of the Act were going on in an industry, he might license enterprises for both domestic and foreign commerce. Violators of the conditions of a license were to be subject to a fine of $500 and imprisonment for six months, each day of violation to be a separate offense. (The power to license was never invoked by the NRA, as we have noted.) The President must, so far as possible, "afford every opportunity to employers and employees in any trade or

subdivision thereof . . . to establish by mutual agreement, the standards as to the maximum hours of labor, minimum rates of pay, and such other conditions of employment as may be necessary." When such agreements were made they were to have the same effect as a code of fair competition. If such labor agreements were not voluntarily arrived at, the President might prescribe them, after investigation and holding hearings, but he might not set a maximum wage. (We discuss the NRA and labor more thoroughly in a later section of this chapter.) Special provisions were made to enable the President to deal with the peculiar conditions in the oil industry.

Calling to a Blue Eagle for Help

There were said to be almost 7,000 trade associations in the country, but the large majority of these were very small. Most of the country's workers could be covered by 300, at most 500 codes. But if it had taken one month to make one code, and no others were ready for submission around July 15, 1933, there could not be many codes adopted by the time snow flew — the goal once set. Plainly, industry was divided. Certain eminent attorneys advised their industrial clents to hold back and see how vigorously the law would be applied. Great industries fought NRA hard from the start. A coal operator, more honest than most of his colleagues, said he would coöperate with NRA if he had to, but he would sooner die than go through the terrible process. General Johnson and Donald R. Richberg, head of the legal division, did some plain talking. They wanted to deal first with the big ten (and these contained some of the main recalcitrants). The big ten in manufacturing, considering the number of employees only, not the value of output, were: cotton goods, foundry

and machine shops, railroad repair shops, steel, lumber, boots and shoes, bakeries, electrical machinery, knit goods, and women's clothing. General Johnson asked that wages and the volume of industrial production be increased before prices, a request that was frequently not followed. Then there was another group of industrialists which deliberately tried "to beat the gun," i.e., tried to get a large volume of production out of the way before the codes went into effect. There was a lively boom in certain industries during July, 1933, for this reason, and also in anticipation of price increases expected to follow monetary inflation. Plainly the NRA had struck a crisis in the dog days. But it was decided to pull out, even if it was in the dog days. An old-time "war drive" was put on to ask for voluntary agreements between employers and the President himself. The blanket agreement, with its symbol of the Blue Eagle, was to be a temporary device to bring about numerous wage increases, re-employment and consuming power. It seems plain that the President's advisors were divided about this phase. Many did not relish it; others thought it unnecessary.

The President's radio speech on July 24, 1933, put the drive over, said an NRA officer privately, when asked what the most effective means of publicity had been. The President appealed to employers to sign up for the period from August 1 to December 31, 1933, or until the regular trade association code could be arranged. (Later the effective period was extended into 1934, until a code for a particular industry could be adopted.) Postmen delivered 5,000,000 forms to as many employers who had more than two industrial workers. It was an appeal to "opinion and conscience." Many voluntary associations assisted. Every coöperating employer was required to state the

number of his employees when signing, and to agree not to employ any person under 16 years of age. (Non-manufacturing industries might employ such persons between fourteen and sixteen years of age for not more than three hours a day between 7 a.m. and 7 p.m.) There was to be a thirty-five-hour week for industrial workers and one of forty hours for office and clerical workers; a minimum wage of 40 cents an hour for industrial workers (unless the prevailing rate was less on July 15, 1929, but in no case less than 30 cents an hour); a minimum wage for clerical workers varying from $14 in places having 2,500 to 250,000 population, according to the 1930 census, to $15 a week in places of over 500,000 population. In places of less than 2,500 population wages of over $12 a week were not required, although increases of at least 20 per cent were asked. Maximum hours fixed did not apply to professional persons earning over $35 a week.

Some months later it was reported that about three out of five employers had signed. How many took it seriously nobody ever knew. There was at least one woman running a store in a village of New Hampshire, who signed up promptly but a week later asked a friend: "Will you *please* tell me what this NRA is?"

The Code Score Card

The making of codes of fair competition went steadily on. Perhaps it would be more appropriate to say their forging went hotly on. By July, 1934, the number of codes of fair competition passed 465, and over 90 per cent of trade and industry was supposed to be operating under codes. An effort was made to put the remaining trades and industries under a "master code." Beginning in February, 1934,

extensive revisions were called for at a meeting of the code authorities. (That session is discussed in full later.) It would not be possible in this book to list even the bare essentials of all the codes. But it is possible to make a few generalizations.

No consistent policy was followed in code-making. Flexibility was the watchword. Codes were in nearly all instances worked out by industries and revised in the NRA process. It was general for southern industries to pay lower wages than northern. The laundry code permitted a minimum of 14 cents an hour, $5.60 for a forty-hour week in the South. It was called acquiescence to reactionary employers. It was also probably another instance of recognizing low pay for Negroes. In about three-fourths of the codes, specific provision was made for the same pay and hours for women as for men. It was regarded as a "tremendous gain" over previous conditions. The restaurant code permitted a work week of fifty-four hours for men. General Johnson said he would make no attempt to defend some parts of codes, and went on to say that even their inadequate provisions represented improvements.

About two-thirds of the codes contained one or more provisions for "cost-protection," i.e., prohibitions against selling below cost of production; or open-price associations, whereby all prices quoted were posted and known to competitors; or straight-out price fixing by national or regional boards. This was one of the more controversial aspects and is considered in Chapter VIII on "How Have Consumers Fared?"

There were certain codes in which there was extraordinary public interest. One of these was that for automobiles, mainly because the Ford Motor Company refused to participate in the drafting of a

code or to sign a certificate of compliance, even though it was bound by the code adopted. Certain publishers fumed when they were asked to adopt a code. They objected that their freedom might be taken away if the President had power to license. Incidentally, they proved to be reactionary on the issue of child labor, and made only a limited regulation of it, because some of them use newsboys extensively.

Child labor was not abolished in the United States, even though the President persisted for months in saying so, and even though the codes made onslaughts against it. Employment of children went on in small, local, intra-state industries. In spite of the fact that General Johnson said that the Blue Eagle could not see state lines, there was no attempt in certain states to enforce codes against very small industries in the smaller places. And, in 1934, the President by executive order exempted all business in places having less than 2,500 population from all parts of all codes except those referring to child labor and trade practices. He also exempted "service trades" from price-control agreements in 1934, holding them only to agreements as to hours, wages, and child labor.

Code authorities, i.e., the bodies with responsibility for administering the codes of fair competition, had representatives of the public on them. These had veto power, but the arrangement was far from satisfactory. In certain industries the representatives of the public served without compensation, and in others they received only *per diem* allowances and travel expenses. Labor and consumers' advisors to these representatives were being appointed. Public participation was not recognized whole-heartedly by the NRA, it was held in some quarters. Only about a dozen code authorities had labor representatives with power to vote on certain questions.

Special mention should be made of the oil code. It was one of the most difficult to arrange. The larger companies and the small independents were at loggerheads. The code adopted called for a coördination and planning committee, with an administrator, and with power to fix both minimum and maximum prices for motor fuel. Price fixing has not been fully attempted. Margins for dealers have been set. Strenuous efforts have been made to control production, to assist the pro-rating regulations of the various states, and to limit the use of oil in storage. Secretary Harold L. Ickes, of the Department of the Interior, was appointed administrator of the oil code, and three of the members on the planning and coördination committee represented the NRA — the others the oil industry. Those favoring price fixing were said to be in a majority on the committee.

Conference of Code Authorities

In March, 1934, a series of unique assemblies was held in Washington. It was the gathering of the code authorities, the administrators of the several hundred standards of practice which had been codified. About 4,000 persons attended. The purpose was apparently to ask authorities to agree to a quick and widespread revision of codes by presidential order, principally by cutting hours and raising wages. Preceding the conference itself, public opportunity was given for voicing complaints — a carnival of complaints, or a "kicking kongress," it was called.

Opening the public hearing for complaints, General Johnson said: "We sit always in the white heat of controversy. Industry accuses labor, labor accuses industry, and the consumers accuse both. All these make the welkin ring with their complaints against everybody but themselves." Then the town meeting

began: The NRA had given consumers no adequate protection. It had been captured by big business. There had been wholesale evasion of codes. The NRA permitted discriminations against Negroes. It was "stacked against labor." Minimum wage rates had become the prevailing rates in some places. The NRA was simply a glorified share-the-work program, or a share-the-misery plan. Codes were too complicated; people could not remember; the NRA should only approve simple codes with few provisions. The NRA was a failure, a ghastly farce.

When the code authorities were together both President Roosevelt and General Johnson addressed them. The President stated his conviction that the NRA in some form would be permanent; industrial planning had become a necessity. There had been errors and evils in code-making. The process must be improved. More re-employment was the big test. He suggested reducing hours 10 per cent, with no reduction in wage rates. Anti-trust laws must be continued in order to check monopoly.

General Johnson presented for the future a twelve-point program to meet major criticisms. These included: Reduction of hours; raising of wage rates; labor and consumer representatives on code authorities in an advisory capacity; control of price increases (admitting that some prices had been advanced far beyond warrant); a much-improved method for securing prompt and effective compliance; uniformity of governmental representation on the code authorities; and better methods of financing code authorities.

There was certainly no rush on the part of the code authorities to follow the numerous suggestions made. The major objective was apparently not attained. Here and there a few industries cut hours and continued the same weekly wages, thus making for in-

creases in rates but not in total pay. It was thought this would result in some re-employment. It was to be done industry by industry rather than in a concerted way.

The results of the code-authority congress were variously interpreted. Schuyler C. Wallace, of Columbia University, writing in *Today,* saw it as a critical juncture. He said it had simply raised the question: "Who will control industry?" Would the government retreat and pass the control back to the industrialists? Or would the NRA advance and use its powers for a much closer regulation. If it chose the latter, would the ordinary methods of law enforcement work? Professor Wallace submitted that they would not. He said two additional devices were needed: (1) National control over credit, and making it available to the industrial cooperators; (2) protecting the public indirectly by taxing all excess profits. (This would require a definition of fair or reasonable profits.) Professor Wallace also held it was impossible to accomplish the objectives of NRA through moral suasion.

The Challenge to Labor

One of the best-known sections of the National Recovery Act was 7a of Title I. This stated that every code, agreement, or license must stipulate:

"That employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection;

"That no employee and no one seeking employ-

ment shall be required as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing; and

"That employers shall comply with the maximum hours of labor, minimum rates of pay, and other conditions of employment, approved or prescribed by the President."

This cryptic statement was variously interpreted and much fought over. It had a few certain results, however, which can be put down without dispute. It encouraged labor organization. Trade unions started gaining members in unprecedented numbers. Certain industries started company unions hurriedly, so as to have a plan available for employees, and so as to head off the trade-union movement. It was an "official recognition" of the right to organize and bargain collectively such as had never before been given by the federal government. Labor had had just as much legal right to bargain before the law was passed as after. Beyond this little could be said with much assurance. The NRA was not a Magna Charta for labor; it was rather a challenge to labor to organize and bargain. The law did not say whether the majority should rule, after employees had exercised their choice, or what rights minorities should have. Again, the law did not define what collective bargaining is; it simply said that employees should have freedom of choice in selecting their representatives for collective bargaining. There were eminent authorities who even held that a strict interpretation of the law would have prevented the "closed shop" which is so important a part of trade-union technique. The National Association of Manufacturers, for example, stated that 98 per cent of their members were opposed to the collective-bargaining clause in the National

Recovery Act, and its officers also believed a "closed shop" to be illegal under the NRA, whether it was maintained by a company or a trade union.

The NRA apparently attempted to walk a tight rope above both the trade union and the company union. This was obviously no easy accomplishment. Liberals and radicals frequently insisted that the NRA did not give labor a chance, while conservatives said it was all in favor of trade unionism. A reporter in *The New York Sun* wrote in 1934 of "the Government's policy of encouraging organized unionism at every point and on every occasion." The criticisms indicated that the NRA was trying to hold to the middle of the road. An attempt was once made to interpret section 7a of Title I, and such a statement got into the automobile code. Thereafter the President insisted there should be no more interpretations in codes. A ruling given by Messrs. Johnson and Richberg early in 1934 affirmed the rights of minorities and even individuals to express freedom of choice in their bargaining, but stated that minorities could not make separate contracts. This was regarded as a set-back to the trade unionists, who held vigorously for "majority rule" on all matters.

Numerous strikes occurred, alarming many among the conservatives and encouraging those who referred to previous strike curves, saying that they usually occurred more frequently on recovery movements. There were no more strikes in the year 1933 than in 1923, no more during January–April, 1934, than during January–April, 1924. But in 1933–34 the issue was mainly the right to bargain collectively; in 1923–24 the main issues were wage rates, hours, and working conditions. Early in the process President Roosevelt appointed the National Labor Board as a mediating agency, relating it closely to the NRA. In 1934

he made it somewhat independent. By July, 1934, the national and regional labor boards had settled with over 3,500 cases, involving over 2,000,000 workers, mostly by informal agreements. More than one-half of the disputes were over the right of collective bargaining. By March, 1934, 240 secret elections were held by the Boards in 13 states. But the National Labor Board lacked the power it needed for effective action. Several corporations continually defied it when it attempted to hold impartial elections to determine the form of representation the employees wanted. For this reason Senator Robert F. Wagner of New York introduced a bill to establish a permanent board with adequate power to enforce fair labor practices. It specifically forbade interference by employers even in company unions. It did not call for compulsory coöperation, and did nothing to limit the right to strike. It was to do for labor practices what the Federal Trade Commission had done in enforcing fair trade practices. It was one of the most extraordinary pieces of legislation ever considered by Congress. The hearings on it revealed, as expected, widely divergent views. The bill was held over for action at the next Congress, and emergency power was given President Roosevelt to appoint labor boards and to conduct impartial elections. He appointed several separate boards for large industries and a new National Labor Relations Board to handle the bulk of the work.

This temporary substitute for the Wagner bill simply gave congressional authorization to what the National Labor Board had been doing by authority of executive orders by the President. It still did not say whether the majority should rule, after an election was held in a plant. But the new Labor Board's rulings very soon provided for majority rule, giving

minorities the right to petition and be heard. It should be noted that this was a most imporant point, particularly after President Roosevelt's settlement of the automobile dispute. That issue was settled without an election. It authorized a three-man board, one representing employers, one labor, one a neutral. This board was to check lists of members of trade and other unions — a process which took a long time. Then it would try to carry out the principle of proportional representation in a works council. The question of proportional representation loomed big in succeeding labor disputes. The trade unionists usually fought it vigorously, contending for majority rule.

One result of the controversy was that the President took labor-conciliation work out of the NRA. Secretary Perkins began to represent the President in labor disputes. There was much influential opinion in Washington that this was tardy recognition of the Labor Department, which has long had a conciliation service.

Compliance

How well was the NRA observed and enforced? General Johnson once said that the chiselers were no more than a few per cent in any industry, but there were observers competent to speak who insisted that he was too conservative. There were the cynical who insisted the NRA would soon go the way of the Volstead Act! The aim of the NRA is that the code authorities shall eventually handle the routine matters of compliance, and the NRA will handle only the difficult questions they cannot adjust. But code authorities were slow in getting under way. Hence the NRA had to set up complete compliance machinery, including a litigation division coöperating with the Department of Justice.

Yet in certain industries, let us say men's or women's clothing, the control of the supply of labels by the code authority proved a useful device. Labels could be forged, of course, but there were effective means of prosecution for that. One conspicuous case was that of a manufacturer of men's clothing who refused to obey the code, even ejecting the code authority's investigator and openly stating that he would not pay the minimum wage. But by February 1, 1934, that firm was ready to comply, because it needed a supply of NRA labels for its garments.

A special board, headed by Clarence Darrow, was appointed to study the effects of the NRA on the "little man"—the small business. But it only resulted in more confusion. It was ridiculed by the liberal labor group within the NRA, which held that the Darrow board had simply listened to the rugged individualists and the sweatshops. Seventeen states had enacted enforcement laws, which made national codes of fair competition effective within their borders, and General Johnson made an appeal to others to get into line.

A large oil company promoted a "Babe Ruth Contest" among boys, which the federal oil administrator called an act of unfair competition under the code. The company persisted, and the oil administrator brought suit. A few days later the company withdrew the contest and the legal action was dropped.

In 1934 President Roosevelt issued an executive order requiring bidders on federal contracts to comply with the codes and to sign certificates of compliance. This was a simple act the Ford Motor Company had declined to perform.

NRA insignia were publicly withdrawn from twenty concerns on March 15, 1934, and their cases referred to the Department of Justice by the Compli-

ance Board of the NRA. There were frequent announcements of this sort. On June 20, a press release stated: "Two blue eagles were restored; nine removed."

Results

The NRA had valiant defenders as well as hostile critics. It was being said that it protected industry against itself, that it was the American way of planning, that it was the only practical way to deal with the menace of racketeering, that it had resulted at least in a step forward in industrial relations. These were by way of reconstruction, and so prominent a student of public affairs as Walter Lippmann insisted in 1934 that NRA was mainly an instrument of reconstruction, not of recovery.

There was other testimony, however, that it was an agency of recovery. Comparing early 1934 with 1933, it was estimated that some 4,000,000 more persons were at work in trade and industry, and that the purchasing power of urban payrolls had advanced at the rate of over $3,000,000,000 a year. But much of this gain was made before the NRA got under way; it was made in part in the summer of 1933 by organizations that were trying nothing less than to beat the NRA. But is was undeniable that trade and industry had made large gains. The conservative financial editor of *The New York Times* said that we were witnessing in 1934 an undisputed turn in the business cycle. Recovery was apparently under way the world over, however, and critics of the NRA said other countries had done as well as we, in terms of percentages of improvement, without an NRA. A League of Nations report for the first quarter of 1934 said that industrial improvement in the United States had been more rapid than that of any European nation,

but that the Canadian gains had been more rapid than ours. And Canada, it was soon pointed out, had no NRA!

One day in February, 1934, the financial section of *The New York Times* carried an ominous headline: "Production Rises, but Jobs Decline." The Negro leaders presented consistent criticisms against NRA. The representative of twenty-two organizations on the Joint Committee on National Recovery said that the codes in cotton textiles, laundry, shipping, hotel and restaurant trades, and others, discriminated systematically against Negroes. He said that the NRA was ignoring complaints of Negroes, and that it had not employed a Negro above the grade of clerk. The NRA was dubbed the "Negro Removal Act," "Negro Riddance Act," "Negro Robbed Again," "National Run Around," etc.

Some industries, such as cotton textiles, said they had their troubles trying to serve both the NRA and AAA. A big problem was the "heavy industries." They had not responded as had those closer to the consumer. Finally, in the hurly-burly planning which the NRA had carried on, the problem of competition between industries, such as coal against oil, rayon against cotton, was not seriously tackled. Would the NRA be able to make headway on some of these more fundamental issues? Schuyler Wallace concluded an article in *Today* dealing with conflicting interests in the following brief but meaningful paragraph: "Whether it will be possible to adjudicate fairly the conflicting aspirations of these thousands upon thousands of divergent interests remains to be seen. Whether, under a democratic form of government, it will be possible to enforce the decisions once they have been rendered, time alone can tell."

The Biggest Spender

Carrying out Title II of the National Recovery Act – that providing for a public works program – was a slower and less spectacular performance. Secretary Ickes was entrusted with this part of the program, along with his many other tasks. The Public Works Administration was authorized to spend $3,300,000,000, the largest expenditure for public works ever attempted by any government. The purpose was to test the theory of large government expenditures as a primer of the pump of private industry and also to provide for direct employment for large numbers over a period of time. Within six weeks Secretary Ickes, who has been described among other things as "too honest" for his job, had provided for spending almost a third of the fund, mainly for roads and cruisers. These were two projects which could be quickly undertaken, because advance plans are always available. But were these projects the most useful? Why not have available advance plans for other projects?

By February, 1934, all the $3,300,000,000 fund had been allocated, but only a small proportion spent. Not until the autumn of 1934 would the maximum results in terms of employment be felt throughout the country. The Public Works Adminisration was authorized to construct "any publicly-owned instrumentalities and facilities." It might assist work for the conservation of natural resources, low-cost housing and slum clearance, and water supply.

Grants to states and municipalities were not allowed beyond 30 per cent of the cost of labor and materials. The other 70 per cent was lent, the PWA taking bonds. In 1934, the market for bonds improved to such an extent that investors purchased

some of these securities, thus assisting the PWA program. Workers were to be employed only 30 hours a week, so far as "practicable and feasible," and "just and reasonable wages" were to be paid. In 1934 an additional appropriation of $500,000,000 was authorized by Congress.

There was considerable public interest in housing projects. Loans were made to about half a dozen projects begun in large municipalities. A fund of over $125,000,000 was set aside to be used by a Federal Emergency Housing Corporation. After being held up by the Comptroller General for legal reasons, and by an administrative tangle, this project was finally begun in 1934. Many small projects were approved, for example, $1,000,000 to the Virgin Islands for a subsistence-homesteads project, and publicly-owned sugar and rum factories. PWA money went in part to the Civilian Conservation Corps, the Civil Works Program, and the Tennessee Valley Authority, all of which are discussed in Chapter VI.

At the end of its first year of operations, the PWA reported that $1,200,000,000 of the fund had been disbursed, that expenditures would be heavy during 1934, and that the allocations of the total fund were as follows:

GRANTS FOR PUBLIC WORKS

Purpose	Amount
Loans and grants to States, cities, counties, railroad companies, and others for non-federal projects	$ 759,549,693
Federal-aid road system construction by States	400,000,000
Roads in parks, forests, Indian reservations, and other public domain	50,000,000
Relief highways being built by States	7,431,000

Purpose	Amount
Civil Works Administration	$ 400,000,000
Civilian Conservation Camps	323,362,315
Naval Vessels	238,000,000
Emergency Housing Corporation of PWA	127,564,500
Farm Credit Administration	100,000,000
Tennessee Valley Authority	50,000,000
Surplus Relief Corporation	25,000,000
Power and reclamation projects by Reclamation Bureau	103,535,000
Subsistence homesteads	25,000,000
Soil erosion prevention	10,000,000
Forest service for improvements in national forests	15,967,745
Indian service for day schools and other improvements on reservations	15,034,550
Airplanes for army and navy	15,000,000
Army motorization	10,000,000
Shore construction at navy yards and stations	31,598,924
Coast Guard, for new cutters, patrol boats, airplanes, and shore station construction	25,031,372
Public buildings	67,427,288
Flood control on Mississippi, Ohio, and other rivers	73,921,500
General river and harbor work	179,924,208
Construction at army posts, seacoast defenses, and other military establishments	77,924,920
National park service for improvements to parks and public buildings	16,097,350
Miscellaneous allotments to bureaus and departments of the federal government	146,291,503
Total	$3,293,661,868

CHAPTER IV

MAN AND MONEY

Here we have a striking example of bold experimentation.—*Edwin W. Kemmerer.*

Not since 1896 had the nation had so extensive a discussion of money, particularly in its relation to prices, as took place in 1933 and 1934. It was a varied spectacle indeed. The Bryan of the era was the "radio priest" who spoke every Sunday afternoon from the Shrine of the Little Flower (Woodward Avenue at the Twelve Mile Road), Detroit. He supplied the emotional drive to make "reflation" a national issue that would not down. Although reflation was fought hardest by the financial interests, there were notable heretics in Wall Street itself. One well-known reporter said that the "four horsemen" of the reflation battle were Rev. Charles E. Coughlin; Senator Elmer Thomas of Oklahoma; George Le Blanc, formerly senior vice president of the Equitable Trust Company, of New York, an expert in foreign exchange; and Robert M. Harriss, a cotton broker, born in Texas, operating in New York.

The original reflationists, so far as numbers were concerned, were of farm origin and interests. A most popular slogan was that which came from the National Grange: "Reflate or Repudiate." Another was the simple one: "We want honest dollars." A most conservative group among them sent to President Roosevelt a reasonable memorandum containing the following words: "Much is being said about 'cheap money,' but the very phrase 'cheap money,' which is intended to suggest unfairness to creditors,

clearly implies that there may be 'dear money' with tragic unfairness to debtors, and the facts are that American agriculture since deflation began has suffered from 'dear money.' " Walter Lippmann, speaking to a group of bankers in 1934, said it was time to give heed to "growing popular resentment," because the depression had fallen "with uneven impact on classes." Harry Elmer Barnes said that reflation was a technique in the "battle formation against piracy, oppression and injustice," and "we shall not be likely to exaggerate its rôle. Neither shall we hesitate to employ it to the degree which the emergencies of the time dictate." A group of business men, known as the Committee for the Nation, sided with the agrarian demands. Sir Henri Deterding, a European industrialist, chairman of the Shell Union Oil Corporation, expressed "profound admiration" for the monetary policies of President Roosevelt. There were wealthy individuals whose fortunes were invested in common stocks — the beneficiaries of inflation — whose faces wore quite a different look than the bondholders — who stood to lose purchasing power by inflation.

Why Reflation?

Some of the social facts which lay behind the drive for reflation were well known and comparatively simple. The income of the people was in 1932 around one-half of what it had been in 1929; but there was paid out of that income in the form of interest on indebtedness about as much in 1932 as in 1929, according to studies of both the National Bureau of Economic Research and the United States Department of Commerce. Defaults of taxes were mounting. The Commission on Recent Social Trends, appointed by President Hoover, found a new

public domain in the United States. It was made up of the scattered lands of farmers who could not pay their taxes, and was being held by state and local governments because there were no buyers. Over 2,000 local governments of all sorts — urban and rural — had defaulted on their interest payments by 1933, so greatly had low prices affected their tax revenues. We must write down debts, many insisted. But we had no systematic or rapid way of doing it. Was not the more speedy way, the one with least social disturbance, to raise prices? Were not monetary devices useful ways of getting a higher price level? The Administration decided upon the latter course, and it did a great many spectacular things about money. Among the citizenry there was much debate, hope, anxiety, and confusion. In the midst of it all, most of us could agree with what Carl Sandburg sang in a poetical paradox:

> "Money is power, freedom, a cushion,
> The root of evil and the sum of blessings,
> Tell us what is money.
> For we are ignorant of money, its ways and
> Meanings . . . "

Nationalizing Gold

In 1934 the country nationalized the monetary gold supply. Congress acted under the right of "eminent domain," according to the opinion of the Attorney General. Gold no longer circulates as money in the country, but may be used for the settlement of international balances. The President may fix the gold content of the dollar at a point between 50 and 60 per cent of the previous content. Payment for the gold supply formerly held by the Federal Reserve Banks was made in the form of a

special issue of gold certificates. The "profit" from devaluation was taken by the government, and placed in a special reserve. Part of it, $2,000,000,000, was used as a stabilization fund. This fund, to operate secretly for three years under the direction of the Secretary of the Treasury, might be used to buy and sell gold and silver, dollars and foreign currencies; and also to buy and sell government securities. The Federal Reserve Banks were shorn of some of their main powers over the currency, and these were transferred to the Secretary of the Treasury. With it all, the federal government now also exercised a greater control over the supply of credit than had been the case previously. We had not nationalized credit completely, as we had gold, but we had given the executive branch of the government powerful partial powers to expand and to contract credit. The President had taken the Federal Reserve Board, one observer said, without firing a shot.

The President devalued the dollar, the price of gold was set at $35 an ounce, thus giving a new content about 59 per cent of the previous par. We then had a "59.06 cent dollar." Senator Carter Glass of Virginia and others said the whole process was "stealing," while Raymond Moley said it was "a substantial shift of control, marking the end of one era and the opening of another." Walter Lippmann said we had now simply done what every European nation except two had done since the War. Even Professor E. W. Kemmerer of Princeton, who sounded the direst warnings about everything, said that it was customary for governments to take the profits when devaluation was made. Congress "wrestled the dollar" for only a brief time. Representative Truax of Ohio horrified the editorial sanctum of *The New York Times* by saying Congress would vote for this

measure because the President wanted it, and the President was the first "in the history of the country who has had the courage to tell Wall Street to go to hell and stay there."

Other Steps Taken

It had taken ten months to come to this point. Henry Morgenthau, Jr., Secretary of the Treasury, asked that the whole matter now be allowed to rest through 1934, to test the results of devaluation, to learn to what extent prices would respond. It may be worth while simply to recount the previous steps which the Administration had taken: On March 6, 1933, the gold standard was suspended internally. On April 20, it was suspended internationally. Hoarded gold was called in, and large quantities were returned. On May 12, the inflation rider to the farm relief law was approved, giving the President the power to devalue the dollar up to 50 per cent, to issue $3,000,000,000 of non-interest bearing notes to refund issues of government bonds, or to sell $3,000,000,000 worth of government bonds to the Federal Reserve Banks provided arrangements could be satisfactorily made; to fix the weight of the silver dollar and establish a ratio between it and the gold dollar. Information from high sources indicated that the powers of the inflation rider ran into legal difficulties at the outset. A few steps were taken in order to overcome those hurdles. On October 25, 1933, the President authorized the Reconstruction Finance Corporation to receive gold from subscribers to RFC notes, at rates to be fixed from time to time. Subsequently some gold purchases were made abroad. There were eminent legal authorities, including the then Under-Secretary of the Treasury, who held that the RFC had no right to buy gold. But technically

it did not buy gold; it simply received gold in payment for its certificates. The RFC's first official price was set at $31.54 per ounce, compared with the standard rate of $20.67 which had obtained for a century. The rate was gradually raised until a gold price of $35 an ounce was proclaimed on January 31, 1934.

Some Results

There were several quick results. Gold started flowing to our shores and the Treasury purchased over $700,000,000 worth within a few months. The tide then let up. Capital which had fled the country started returning. It was apparent that we had not established a "commodity dollar," which would be varied periodically with changes in the price level. But the President had power to vary the content between 60 and 50 per cent of the previous par. This meant in effect that he might vary it as much as 17 per cent from the 59-cent dollar he established early in 1934. This was regarded by some as a safety valve for the type of gold standard we had returned to. In many circles it was known as the "international gold standard," because gold might only be used for international transactions. It was also pointed out that the Treasury and the Federal Reserve Banks still possessed many devices which might be used to curb an undue currency or credit inflation. These were their powers to change the reserve requirements of the national member banks, and thus tighten credit; to sell government securities; to retire currency; to raise the "rediscount rate," which is simply the rate of interest whereby member banks borrow money from the Federal Reserve Banks. Great concern was expressed in regard to the possibility of an international currency war. Great Britain, too, had

a large "stabilization-exchange" fund. Might the two countries engage in a race to depress their own currencies, for the purpose of gaining advantages in international trade? This was possible, of course, but it seemed more probable that there might be some informal understandings as to the relative positions of currencies. No information was available in regard to discussions of the stabilization of the currencies of the United States and of certain European countries, although rumors persisted that at least conversations were going on. The foreign mission boards felt keenly the effects of devaluation. They had to supply more dollars to match certain foreign currencies. Depreciation followed by devaluation of the dollar added to the financial troubles of these agencies.

The purpose of devaluation was to bring about a substantial rise, particularly in wholesale commodity prices. By March, 1934, farm prices had risen about 40 per cent, as compared with March, 1933. The general index of prices was up about 18 per cent. Thereafter the indices steadied. Throughout the proceedings, the Administration's main monetary advisors were Professors George F. Warren of Cornell, and James Harvey Rogers of Yale. One extensive poll of economists revealed a large majority of them opposed to the new policies. Some thought our troubles were not primarily monetary. Many thought we were simply headed for uncontrolled inflation. The heretics simply referred to the grip of tradition among economists. Fred Freestone, master of the New York State Grange, said to the 1934 annual meeting of that body: "We are delighted to see the President leaning upon our own esteemed Dr. Warren. We have tried him for many years and found his counsel sound."

Repeal of the Gold Clause

One of the most controversial of all the measures was the resolution passed jointly by the House and Senate and signed by President Roosevelt on June 5, 1933, whereby all obligations, governmental and private, were declared to be payable in lawful money, no matter whether contracts stated that they were payable in gold or not. The resolution had on its surface the seemingly innocuous purpose of "assuring uniform value to the coins and currencies of the United States." Actually, it took us legally off the gold standard. The measure was rushed through both houses of Congress because the Treasury did not wish to put the gold clause into the new securities which were to be issued on June 15, 1933.

Was this the wholesale cancellation of contracts? Was this repudiation of obligations of the government? Would it lead to a "loosening of moral fiber" the world round? If the government of the United States was repudiating a promise to pay its obligations in gold coin, what should we expect of the nations which owed us money? What would other countries do when paying interest on securities owned by American investors? In the Senate, William E. Borah of Idaho stated:

"It has been said that this is repudiation. I am not prepared to controvert that statement. But the bondholder must take his place in the sacrifice which the American people have been enduring. We must cease to pay tribute to the gold standard at the expense of the average citizen of the United States."

The New York Times contended editorially that this was "repudiation admitted." Other great urban journals, presumably the spokesmen of the creditor class rather than the upholders of eternal moral veri-

ties, stormed and raged, or became hysterical on the subject. But there were students of law and ethics who calmly said not only that there was ample judicial precedent for the legality of the measure, but also that it might be ethically defended as a means of restoring equity between creditor and debtor. One argument ran thus:

"Drastic changes in conditions which succeed the making of an agreement must always be considered when the time comes to fulfil the agreement. Shifting situations are always a part of the picture, and make for changed relationships between contractors. All contracts should eventually be modified when they are not in line with the realities of a situation. The action of the federal government puts its contracts in line with realities."

In 1934, both a Federal District Court and the New York Court of Appeals held the new gold-clause legislation constitutional. A note on the financial pages of *The New York Times* said that Wall Street opinion regarded the decisions as foregone conclusions and that the gold clause question was now a dead issue.

Silver

Something was soon done for silver and the President stated publicly his hope that "something more" could be done. Late in 1933 the President put into effect this country's part in a silver program agreed to by sixty-six nations at the London Conference. It called for the purchase of 24,412,410 ounces of *newly mined* silver a year until December 31, 1937, at a net price of 64½ cents an ounce, considerably above prevailing competitive prices. The method followed is that of coining newly-mined silver at the mints of the United States; the silver is valued at $1.29 an

ounce but the director of the mint retains half the amount as "seigniorage" and for services rendered by the United States. Thus the net price of newly mined metal is only 64½ cents an ounce. The silver retained shall be used "as bullion by the Treasury," and may be used for coinage, but may not be sold for any purpose before December 31, 1937. This step added a mere pittance to the monetary stocks of the United States. The state of Colorado alone has produced in one year what the government will take annually. But the procedure might add substantially to the purchasing power of the miners of silver, and particularly to that of certain communities in several western states, because the net price now being paid by the Treasury is considerably above that prevailing in the commercial silver markets. It was hailed by all the "silver senators," and greeted with enthusiasm for a time in the speculative markets, until the limitations were more soberly pondered. There were those who thought the step taken would be a compromise that would shut off agitation; others who felt it would only encourage the silver agitators.

In a little town on the prairie they sang with great enthusiasm a song which went: "Billy Bryan's body lies a-moulderin' in the grave, but his soul goes marching on." Popular magazines reprinted a paragraph from William Jennings Bryan's farewell address to the House of Representatives in 1897: "You may think that you have buried the cause of bimetallism; you may congratulate yourselves that you have laid the free coinage of silver away in a sepulcher, newly made since the election, and before the door laid the veto stone. But, sirs, if our cause is just, as I believe it is, your labor has been in vain; no tomb was ever made so strong that it would imprison a righteous cause. Silver will lay aside its

grave clothes and its shroud. It will yet rise and in its rising and reign will bless mankind." On the seventy-fourth anniversary of the birth of Mr. Bryan the House of Representatives passed a bill which would have authorized the receipt from other nations in payment of farm products of a large quantity of silver above prevailing market prices.

This was the signal for another tide of agitation, and it was soon evident that something more had to be done by the President for silver. He already had considerable power under the inflation rider to the Agricultural Adjustment Act of May, 1933, and the Administration vigorously opposed a mandatory act. The result was the Silver Purchase Act of 1934, which authorized, without imposing a time limit, a four point program, as follows:

1. Maintain in the Treasury a silver reserve against currency equivalent to one-third of the gold reserve. It is expected that this will eventually result in the purchase of 1,300,000,000 ounces of silver. This is considerably larger than the available supply in the United States.

2. Empower the Treasury to issue silver certificates, i.e., paper money, against the silver it purchases.

3. Levy a tax of 50 per cent on all profits made on private silver holdings in the United States, payable when the government purchases them.

4. Empower the President to nationalize the country's supply of silver when he deems this step necessary.

Silver which was held in the United States on May 1, 1934, can not be purchased for over 50 cents an ounce. (The prevailing market price had been around 45 cents.) The price over future holdings is discretionary with the Treasury. The Treasury may

issue silver certificates up to a value of $1.29 an ounce of silver held. This is the maximum monetary value permitted. It announced, however, that it was buying silver at fair prices offered, and that it was issuing certificates only against the amount of actual cost, probably around 45 cents an ounce. In August, 1934, the Treasury announced that it would issue silver certificates at the rate of $1.29 an ounce against silver held prior to the Silver Purchase Act. In the same month, the President by proclamation nationalized the domestic supply of silver bullion and required its delivery to the Treasury within ninety days at a price of slightly over 50 cents an ounce.

President Roosevelt announced in his "silver message" that he had begun conferences with other nations looking toward action "in regard to the use of both silver and gold, preferably on a coördinated basis, as a standard of monetary value." There were authorities, however, who held that an international agreement to adopt bi-metallism seemed very remote in the situation which obtained in 1934.

The silver issue of 1933-1934, it may be observed, differed considerably from that of 1896. Then a slogan was "16 to 1." By this was meant an attempt to restore the price of silver (which had fallen considerably) to $1.29 cents an ounce, which would have been one-sixteenth the fixed value of an ounce of gold, or $20.67. Today, if the Treasury pays 50 cents an ounce for silver, when the price of gold is $35.00 an ounce, the ratio would be 70 to 1. The recent legislation authorized no fixed ratio of prices, which was an objective of the silverites of 1896.

Reams upon reams were again written about silver. It has always been proposed as an inflationary step. And it must be recognized that the United States has had an experience with bi-metallism in the

past; and that there are nations today which function with bi-metallism. To go to bi-metallism would hardly be called a disaster. Professor Oliver M. W. Sprague of Harvard University, a noted critic of administration policy, thought, for example, it would be no calamity to include a portion of silver in the metallic monetary reserve. But there is other competent opinion which holds that silver will never be widely used, either as currency, or as a metallic reserve against it. It is bulky and not so easily stored as gold, even if it were used as only a metallic reserve. Professor Eugene E. Agger, of Rutgers University, an authority on international exchange, told the Institute of Rural Economics which met there in 1934 that even a large coinage of silver would probably have little inflationary effect at all—it could not add enough to our already huge quantity of currency to cause any one either to raise his hopes or to lose any sleep over silver.

Bank Deposits Insured

On January 1, 1934, a temporary plan for insuring deposits of the commercial banks through the newly-created Federal Deposit Insurance Corporation went into effect. It insured all accounts up to $2,500. It insured around 35 per cent of the deposits, but about 97 per cent of the *depositors* in the banks. Every member bank of the Federal Reserve System was required to join the plan. (One refused and its case remained unsettled.) State banks meeting the requirements of an examination came in in large numbers, and numerous mutual savings banks also joined voluntarily. Almost 14,000 banks were insured; about 1,300 operated without insurance. By action in 1933, a permanent plan was to be put into effect on July 1, 1934, but the temporary plan was extended

by Congress to July 1, 1935, raising the insurance of all accounts up to $5,000, so as to give more time for consideration of the question. Since January 1, 1934, only five insured banks got into difficulties. Several that might have failed were saved by the Deposit Corporation stepping in when difficulties became serious. Sixty banks which were not insured failed between January 1 and June 30, 1934. The crop of bank failures, for the first six months of the year, during the decade 1923-32, averaged 447.

In 1933 Congress adopted stringent reforms of the kind which bankers in the pre-1929 era had seldom even dreamed of. Commercial and investment banking were divorced as of June, 1934. The minimum capital requirement of national banks was raised from $25,000 to $50,000, for institutions in places having less than 6,000 people. Mutual savings banks were permitted to join the Federal Reserve System.

Following the banking crisis of February-March, 1933, strenuous efforts were made to reorganize closed banks. But we lost 4,000 banks in the crisis of 1933. By June, 1934, there were slightly over 15,000 banks functioning, as compared with 30,800 in 1921. Some idea of the extent of the deflation of commercial banks can be gained by referring to the following table issued by the Comptroller of the Currency:

Date	Number of Banks	Total Deposits
June 30, 1929	25,330	$57,910,641,000
June 30, 1930	24,079	59,847,195,000
June 30, 1931	22,071	56,864,744,000
June 30, 1932	19,163	45,390,269,000
June 30, 1933	14,624	41,533,470,000
April 19, 1934	15,166	*43,000,000,000

* Estimated

There was also competent opinion that we had only temporarily met a crisis by means of the banking legislation of 1933 and 1934. In May, 1934, the national banks of the country were carrying federal securities considerably in excess of the amounts held in their portfolios at the same time in 1933. But their total loans outstanding for commercial purposes were lower than in 1933. The banks were not financing industrial expansion. They were largely turning their money over to the federal government, which was giving them low-interest securities.

The Reconstruction Finance Corporation announced heavy purchases of preferred stocks of banks and made a total of over $1,100,000,000 available to almost 7,500 banks, much of it to be called for during 1934. This was to improve the capital structure of the banks. But it gave the RFC certain voting rights in case of difficulties or low earnings. There were conservatives who loudly warned that this was simply government domineering the banks, a step toward nationalization. One economist put it: "The government wants to control the banks and it is apparently succeeding." There was general agreement that within a year considerable change had been wrought. By the summer of 1934, it was estimated that $2,000,000,000 of hoarded money had been returned. Heavy loans were also made by the RFC to the receivers of closed banks, to enable them to pay depositors, and take more time to liquidate their assets. By action of Congress in 1934, the RFC was instructed to liberalize its rules on collateral when making loans to receivers of closed banks.

The Biggest Bank of All

All of which leads us to further discussion of the biggest bank of all, the Reconstruction Finance Cor-

poration. For the federal government was doing the biggest banking business in the country. The ramifications were understood by few. The periodic reports of the RFC were more complicated than even a bank statement. Between February, 1932, and July, 1934, the RFC had authorized loans for all purposes of more than $5,750,000,000. Repayments totalled over $1,500,000,000, and were coming in during 1934 at the rate of over $3,000,000 a day. The largest loans were to banks and trust companies. Over 7,000 institutions had borrowed a total of over $2,000,000,000. The RFC also subscribed capital for the Federal Home Loan Banks, for the Home Owners' Loan Corporation, for the Farm Credit Administration, for the Commodity Credit Corporation, and for the production loans made by the Secretary of Agriculture. It made loans to over 25 classes of borrowers, mainly credit institutions, such as mortgage companies, building and loan associations, insurance companies, etc.

David Lawrence syndicated an article in 1934, saying "Uncle Sam As Lender Has Branched Out Into Many Fields." About $12,000,000,000 of government money had been made available for all the agencies, of which only about $6,000,000,000 had been used. In 1934, too, Federal Reserve Banks were authorized to provide capital loans directly to business, for terms running up to five years. This was the kind of loan the commercial banks were declining to make. The RFC was also granted power to make loans directly to individuals or corporations. Was Uncle Sam going to compete on a larger scale with the bankers, if that step proved necessary? Raymond Moley wrote an editorial in *Today* saying that complete credit management by the federal government was the next step. The President said once

that he favored generally lower interest rates for all types of credit.

How Can We Pay for the Program?

By June 30, 1935, President Roosevelt estimated that there would be an increase of the public debt to about $32,000,000,000, an addition of roughly $10,000,000,000 because of the recovery program. In July, 1934, the debt went beyond the war-time peak, even though the spending for the fiscal year 1934 was less than the President once predicted. Apparently the spending could not be carried on as rapidly as had been planned. It was being said that the crisis was as serious as war, that the spending was for a better purpose than war and was justified, and that with recovery it could be paid for. It was held that a public debt of $32,000,000,000 in time of prosperity and good prices would be no heavier relatively than one of $22,000,000,000 at a time of business depression and low prices. Furthermore, interest rates for federal funds were declining. The Treasury hoped to get long-term loans at 2½ per cent. There were enthusiastic spenders who pointed out that a government debt of even $40,000,000,000 at 2½ per cent would cost very little more in interest than one of $20,000,000,000 at 4½ per cent. Dale Yoder published an article in *Today* closing with the question: "Could we possibly afford not to undertake the recovery program?" John M. Keynes said in 1934 that the American government should spend $400,000,000 a month above its ordinary requirements to prime the business pump. But the editor of *The London Economist* said it was a "giant gamble." The financial editor of *The New York Sun* said that if recovery was not achieved and prices did not rise greatly, then the nation would surely be bankrupt.

Nicholas Murray Butler, as we have seen, thought the whole world was bankrupt, and that no nation was willing to face the truth and act as should be done in a receivership. He recommended pooling the world's gold, under international authority, so as to deal with the critical situation.

By 1934 there were outstanding 50 different issues of federal government securities. And government support could be given in various ways to the markets for these securities, for sinking fund requirements, and for the investments of various government agencies, such as the Federal Deposit Insurance Corporation. Or, the Stabilization Fund of the Treasury could be used. The total savings of the people were estimated to be $50,000,000,000, and much of this was pressing for investment in government bonds. This was largely because of lack of confidence in other forms of investment.

Economists who understood public finance insisted that a sane, systematic tax policy should be the corollary of the recovery program. Some thought it inevitable, if progress was to be made in grappling with the huge public debt. The Administration recommended in 1934 a much-improved taxation program, endeavoring to raise income taxes and to plug certain of the evident loopholes which had enabled the wealthy to evade taxation. (A conspicuous method had been transactions carried on by private corporations, by gifts to members of families, etc.) But when it reached Congress it was soon evident that the real radicals on taxation were not the rank and file Democrats but the Progressive Republicans. They forced a revision of the Administration measure, which not only made for additional revenue, but also made some drastic changes. The additional

revenue did not, of course, bring the nation to a balanced budget. That was left for the future.

The Tax Law of 1934 did lighten the income tax load on the person whose income is relatively small, and increased the rates in the higher brackets. It taxed earned income less heavily than unearned income. It raised the federal inheritance taxes, imposing a rate of 60 per cent on estates of over $10,000,000. Income tax returns beginning with those to be filed in 1935 for the year 1934 shall be open for public inspection. Holding companies and their affiliates are no longer allowed to make joint returns, which had been effectively used as a means of evasion. And the Treasury began a hunt for more revenues. The federal tax bills of the immediate future, there was every indication, were certainly not going to be lowered.

CHAPTER V

"LET THE SELLER ALSO BEWARE"

> Your Securities Act . . . punishes the financiers of New York . . . —*Josiah Stamp.*

Two suburbanites were discussing the New Deal on the station platform on a bright summer morning of 1933. One asked:

"Which of the new laws do you think the most important?"

The reply came:

"I would not venture a guess as to which is of most general significance. But I know which one has been of most importance to me. That is the Securities Law. It is the death warrant of my business. The directors of our concern have just decided we will not try to handle new securities, because of the liabilities involved."

One has been able to read about this law in the financial pages of almost every issue of a metropolitan newspaper. No part of the New Deal produced more interesting or revealing headlines than this act "for federal supervision of traffic in investment securities in interstate commerce." The concern of those who have been dealing in securities were expressed in headlines as follows: "Securities law worries bankers," "Legal views fail to dispel fears of security dealers," "New federal restrictions held curtailing flotations of legitimate promotions," "Advocates modification of securities law."

President Roosevelt recommended the legislation as early as March 29, 1933. He wanted "to protect the public with the least possible interference with

honest business. . . . What we seek is a return to a clearer understanding of the ancient truth that those who manage banks, corporations, and other agencies handling or using other people's money are trustees acting for others. . . . This is but one step in our broad purpose of protecting investors and depositors. It should be followed by legislation relating to the better supervision of the purchase and sale of all property dealt in on exchanges . . ." (In 1934 exchanges were regulated, as described in the last section of this chapter.)

That there was great public demand for legislation of this type was too obvious to mention. It was the logical result of careless and ruthless methods in the sale of securities. John T. Flynn called the system which had been built up a "debt machine." But when the depression came, many issues went into default. Certain well-known issues, including flotations of foreign governments, were distributed by the "affiliates," i.e., the subsidiaries, of noted urban banks. A vicious practice in connection with their methods was that of using pressure to force the smaller banks to purchase quotas of the issues. The small city or the country banks frequently purchased bonds from these sources for their investment portfolios, not because they really wanted them, but because they did not wish to offend their big city cousins who might be of considerable assistance to them in other ways. (Many metropolitan banks had informal relations with small correspondent banks. Sometimes the big city banks made short-term loans to those inland.)

Very revealing in connection with the enactment of the law was the article in *The New York Times* for June 4, 1933, by A. A. Berle, Jr., New York attorney who had been an advisor to the President, that the

investment banking community "declined openly and publicly to state its own views in the matter."

The Law Analyzed

The act did not apply to interstate trade in all securities. Among the exempt, for example, were all those issued by local, state, or federal governments, the securities issued by national banks or building and loan associations, the contracts of insurance companies, or the issues of charitable, educational, or religious organizations. By administrative ruling, small issues of certain types were also exempted.

Control over *new* securities was exercised at the point of issue; the Federal Trade Commission was the administrator of the Act and all new issues had to be registered with it. The federal government did not pretend to tell any one how to invest; it did take a number of steps, however, to see to it that the seller make certain information available to the buyer. It added "let the seller beware" to the rule of "let the buyer beware." All issuers of new securities which are to have an interstate sale are "liable" if their statement of application for registration of a security is not accurate or if it omits an essential detail. Likewise, the prospectus of an issue, or any advertisement, must contain certain essential data, and those that have been subsequently issued have been much more detailed than had been customary for such documents in the United States. Penalties are prescribed. For unlawful offer of a security for sale there may be a fine of not more than $5,000 or imprisonment for five years, or both, the courts to have discretion. For a period of ten years, directors of corporations involved in sales of securities might be liable for civil suits brought by purchasers for damages.

The statement for registration with the Federal Trade Commission required largely accounting information. The forms of the Commission have been said to be less detailed than those required of applicants for listing of new issues on the New York Stock Exchange. Complete financial data about the corporation whose securities are to be sold must be given for a three-year period prior to registration; also data about the fees or commissions of the handlers or underwriters. All issues must be registered in advance twenty days before they are to be sold. The Federal Trade Commission might then permit or decline to permit the public sale of the proposed securities. The Commission could not approve, recommend, or guarantee an issue. It had, on the other hand, the power to issue a stop order to prohibit the sale of specific securities. It might seek injunctions in the courts against those who failed to live up to its regulations.

The Rules Issued

The specific rules to be followed were made public by the Federal Trade Commission with the following explanation: "In approving the rules the Commission had regard for the public interest and for the protection of investors, but endeavored to place no undue burden either upon the general business or upon honest and reputable investment dealers." All hearings held are to be public. On filing application for registration, an issuing house must pay a fee of one-hundredth of 1 per cent of the maximum price at which securities are offered for sale, but in no case less than twenty-five dollars. After registration is granted and a security offered to the public, the issuing house must file, within ten days after offering, a statement giving the actual price at which it

was offered. "If there be a difference between such price and the proposed price set forth in the registration statement, a brief explanation of such difference shall be made." Additional and supplemental information must be filed from time to time "as the Commission may require." The actual data to be used in the prospectus to be given to buyers must be filed with the Commission.

Registrations Filed

On the first day that registrations were received the door-step of the Federal Trade Commission was crowded. Applications for at least fifty security issues were received. In the confusion, there were applicants who forgot to attach the required fee. The total value of the securities was estimated to be around seventy-five million dollars, and the fees received by the Commission were between seven and eight thousand. Most of the applications were from investment trusts. Two of the issues were for ten millions each. One house stated on its application that it would receive a commission of nine and one-half per cent on the securities; another, one of seven per cent. Registrations went steadily on thereafter. During the fiscal year ending June 30, 1934, the Federal Trade Commission registered over seven hundred separate security issues, with a par value of over nine hundred million dollars. Of these over three hundred, with a par value of over two hundred and twenty-five million dollars, were for industrial purposes. Apparently it was possible for a good many individuals and corporations to carry on a security business under the law.

Traders in securities endeavored to discover detours. There were reports that great American corporations would try to sell securities in London, but

not one tried it. The Pennsylvania Railroad and a few other corporations sold issues of bonds to a few large institutional investors, through underwriting houses which, it is said, carried on all transactions orally. The American Metal Company negotiated a two-year loan for $10,000,000 with commercial banks to refund an issue of bonds coming due. This was in the form of three-month notes, with informal understanding that seven renewals would be made. David Lawrence, publisher of *The United States News,* wrote of the search for "a simple but lawful way to get around the cumbersome provisions of the Securities Act." One partner in an investment house was quoted anonymously by *The New York Post:* "It would be funny if we fellows who know the business can't outsmart a lot of hick senators." To which James McMullin, who conducts a column in *The Post* added: "Maybe. New Yorkers who have had first hand experience with the New Deal methods are not so sure."

Administering the Law

On March 23, 1934, the Federal Trade Commission issued an order "suspending the effectiveness" of a registration statement filed by a bondholders' protective committee of an apartment house in Germantown, Pa. It had found an untrue statement in regard to a sinking fund. It alleged a half-truth in reply to another question. The Commission also made one definition of the term "material fact," which was widely commented upon; it was regarded as one "which, if it had been correctly stated or disclosed, would have deterred or tended to deter the average prudent investor from purchasing the securities in question."

On February 6, 1934, the Federal Trade Commis-

sion brought its first court action to restrict the sale of a security. The Commission filed a complaint with the United States District Court, and alleged that a firm had made false statements to the effect that the Commission had approved a stock issue.

The Public Discussion

The air was thick with opinions of all sorts. The most articulate were saying in effect: "We have here too much reform; it is interfering with recovery." One agitating question was whether the law was more severe than the British Companies' Act, from which certain ideas were obviously borrowed. Edward H. Collins, associate financial editor of *The New York Herald Tribune* wrote on January 15, 1934, that our act was more stringent than that of England, and also that it was "fraught with ambiguity and inconsistency." But Harold Laski, the English social scientist, wrote as follows in the February, 1934, *Atlantic:*

"The Securities Act has aroused passionate indignation. Yet the sober critic who analyzes its clauses with detachment will take a very different view. He will point out that it is built upon the solid experience, now extending over a generation, of the British company law; that it meets the conditions first revealed by Mr. Justice Brandeis over twenty years ago; that there is no technique within its interstices not amply justified by the Senate revelations of corporation practice in recent years. The striking thing about the Securities Act is not its practically unanimous passage. The striking thing is that the United States should have had to wait until 1933 before legislative sanction was given to the most elementary precautions required by the investor under

modern conditions. No serious student of the Securities Act but will be tempted to conclude that it could only be opposed by men who have something to conceal; and if he looks through the pages of the testimony before the Senate he will amply understand the indignation of opponents. It is the prohibition of obvious malpractice which always awakens the loudest clamor from its exponents."

Walter Lippmann said the dispute was "rapidly degenerating into a collision between unverifiable but fanatical opinions." He thought it obvious that the Act could not "be blamed for the closing of the capital market in 1932. [It was not on the books then.] How much it can be blamed for the failure of the capital market to reopen in 1933 is not susceptible of conclusive proof. The opposition will tell you about companies that would have done new financing in the past months had the directors not been afraid to assume the risks in the Act. The supporters reply that either the directors were afraid to disclose the whole truth about their companies or they have been unnecessarily terrified by Wall Street lawyers seeking to sabotage the Act." A note in the "Contributors' Column" of the February *Atlantic* read: "The test of the Securities Act will be a very practical one, and a good many people are asking themselves, 'Will it help our business morals if in our serious plight it hurts our business interests?' "

In the same issue Bernard Flexner, described as an attorney with three and a half decades of experience at the bar, and as "intimately familiar with the manifold requirements of corporation finance," wrote a thorough treatise called "The Fight on the Securities Act." In the course of it he said:

"Whether or not justified, directors and underwriters are, as a pragmatic fact, on strike against risk-

ing the liabilities imposed by the Act: *that strike* is preventing new securities issues . . ."

A. A. Berle, Jr., still stoutly defended the law in 1934, but suggested revisions. He proposed that a two-year limit, instead of one of ten years, be placed upon civil suits by purchasers for damages against directors of organizations handling securities. He suggested that the Federal Trade Commission be given specific power to rule on complaints of investors, subject to appeal to the federal courts.

In 1934 the law was modified by means of a rider on the Securities Exchange Act, which we will now discuss.

'Change

In November, 1933, Henry Goldman, Jr., a member of the New York Stock Exchange for ten years, sent a letter to Senator Fletcher of Florida urging that a federal board be created to "supervise, regulate, and scrutinize" the activities of exchanges dealing in securities and their members. Mr. Goldman is a specialist with experience. On the publication of that letter, Mr. Goldman found, according to an item in *The New York Times,* "two new pairs of brokers making books in his stocks." According to the article in *The Times,* the officials of the Stock Exchange would not comment on this development, but "it was believed in the financial community that this competition had arisen because of resentment on the part of some members of the Exchange" in regard to Mr. Goldman's activities on behalf of public regulation.

When President Roosevelt recommended national regulation of securities exchanges in 1934, this was the signal for one of the most powerful lobbies in recent years to start operations. The President once declared: "A more definite and more highly organ-

ized drive is being made against effective legislation [for federal supervision of exchanges] than against any similar recommendation made by me." The legislation also produced a lengthy Congressional debate. When it emerged in the form of a law effective in part on July 1, 1934, it provided for a special board of five, the Securities and Exchange Commission, to be appointed by the President. To this Board was also transferred the administration of the Securities Law of 1933. All regulations as to registration of securities on exchanges went into effect on September 10. Not until a later date did the new provisions requiring complete annual and quarterly reports go into effect. There was much controversy over "margin requirements." All existing marginal accounts of traders in stocks may operate without regard to the new Act until January 1, 1937. New accounts or new purchasers on existing accounts will come under the operations of the law, which gives the Federal Reserve Board some discretionary power in supervising the margins required. Two bases are provided for, one providing for a standard minimum margin of 45 per cent, and an alternative based on the prevailing price of a security as compared with the low prices of previous years. The Federal Reserve Board was given until October 1, 1934, to work out methods of controlling margin accounts. Railroads were exempted from the reports required of corporations whose stocks were listed, because they were already required to report monthly to the Interstate Commerce Commission.

Much depends, of course, upon administration. The ordinary person who purchases securities outright for investment will probably find little difference in the way he makes an investment. He will be able, if he wishes, to secure access to more fre-

quent reports on the condition of the corporations. Accounting will undoubtedly be made more uniform. But the man who wants to turn a thousand dollars into ten thousand quickly will, it is thought, find himself considerably handicapped. Pool operations are also forbidden. These usually have agreements among traders to bid up prices far beyond warrant so as to attract "the public." But the pool operators were able to take their profits and thus fleece the lambs. To the new Commission is also delegated authority to work out regulations of short selling and the use of the "stop-loss" order.

It would seem that the Act would considerably interfere not only with the freedom of the pirates who have taken a heavy toll from the unsuspecting, but also with the tendency of certain corporations to be very reticent about their affairs. More will probably be known about controlling interests of corporations and about interlocking relations between corporations, than previously. And Wall Street, it seems, sullenly accepted the New Deal in finance. First it fought all regulation. Then it fought to have regulation toned down as much as possible.

E. A. Pierce, of E. A. Pierce and Company, a brokerage house with seventeen hundred employees, made a public statement to the effect that public regulation had been necessary and that he welcomed an experimental method of doing it. He said Wall Street had suffered more by being loyal to hide-bound tradition than from being open-minded as to change.

Legal and lay opinion differed greatly as to the meaning of the modifications of the Securities Law of 1933. The period of the "liability" of issuers for civil suits for damages was reduced from ten years to three years. A new amendment specifically stated that issuers would not be liable for depreciation in

market value. One "Wall Street lawyer" believed that 80 per cent of the objections had been removed. Others did not speak so dogmatically. One conference of lawyers divided sharply in weighing the new amendments. Some held that the obstacles to new corporate financing had not yet been removed, while others predicted that now there would be a freer flow of investment funds into business. Only time could tell which group would prove to be correct.

CHAPTER VI

OTHER VENTURES

Recovery and reconstruction must go together.
—*Rexford G. Tugwell.*

Civil Works

"Hooray! Project 2,876 for mosquito control is approved," was heard one morning at a county civil works administration headquarters. Project 2,876 was one of four hundred thousand projects, employing four million workers, costing about a billion dollars from December, 1933, to May, 1934. The CWA was set up with funds from both the Public Works Administration and the Federal Emergency Relief Administration. Harry L. Hopkins, administrator of the latter, also directed the CWA. It was apparently set up because the public works program was slow in making itself felt. Of the four million persons employed, roughly half came from relief rolls, mainly from state and local work relief projects; the other half from "self-sustaining unemployed," i.e., those who were living from their savings or with the assistance of their friends and relatives.

Norman Thomas said the CWA was "the only force holding this country together" in the winter of 1933-34. In other quarters it was known for a time as the "new queen of the New Deal." In many ways its effects were electric. It put new hope into hundreds of thousands — for a few months. It was considered no humiliation to be on the CWA payroll, as compared with local relief rolls of various kinds. There were many who thought we would have a

large CWA indefinitely. The workers were government employees. Once on the payroll, they would not easily come off. There were those who thought the CWA road would surely take us to paper money or uncontrolled inflation, because the government would have to print the money in order to pay the bills.

President Roosevelt surprised most predictors by closing CWA on May 1, 1934, and by continuing a much reduced work relief program. Harry L. Hopkins estimated that fifteen hundred thousand out of the four millions on the CWA were in immediate need, and would be taken care of on new projects during the fiscal year 1934-35. Early in 1934 there was a real wave of CWA strikes, rivaling the industrial strikes in many areas. How many there were, no one ever knew. In certain areas, strikes against reductions of wage rates were successful; in others not. At the peak of the program, wages averaged about fifteen dollars weekly, but there were weeks when the average was as low as nine. There were irregularities and graft in the CWA. It was inevitable that it should be so. This largely happened in local governments, and there appeared to be about as much misuse of funds in Republican as in Democratic hands. At any rate, the CWA was a "politician's paradise" for a short time in some communities. President Roosevelt's decision to discontinue the program removed it as an issue from the congressional elections of November, 1934. It had appeared evident that the Republicans would oppose the program as financially dangerous.

Prominent social and religious workers opposed the rapid dismantling of the CWA program. William H. Matthews, director of New York's Emergency Work Bureau, said the CWA had been "a straight

aimed blow at the miserable, inadequate humiliating grocery-ticket dole system, which is not worthy of the American nation, which is a direct denial of the all-too-fine promises made for over two years to the effect that America would show the world how to carry its people through a depression without compelling them to sacrifice their self-respect, their pride and other high qualities of life." Rev. James Myers, industrial secretary of the Federal Council of the Churches of Christ in America, said that "the laying off of CWA workers with such devastating rapidity, while as yet they have no place to go," had created a critical situation. He held that "workers should be laid off from the CWA only as fast as they can actually be absorbed by the PWA and whatever new agencies the government is planning, or can actually find work in private industry. All the dictates of statesmanship, as well as of humanity and religion, demand that every person in this country, able and willing to work, should either have a job at living wages in industry, or else be assured at all times of self-respecting forms of government work projects, or unemployment insurance." A special conference called in Washington in February, 1934, by the American Association of Social Workers, went on record as opposed to the rapid demobilization of the CWA. It was also phenomenal how the workers themselves got organized and made their own protests. One delegation of five hundred went to Washington and made demands for a five-billion-dollar annual fund for a continuation of projects of the type the CWA had carried on.

Subsistence Homesteads

"An experiment in coöperation with the inevitable," was the way a member of the staff of the

Subsistence Homesteads Division of the Department of the Interior described its program. To this newly-created division was given twenty-five million dollars of the public works fund. It planned to settle about ten thousand industrial workers and others in newly created communities. Those in charge pointed to large numbers of people who were unfitted either for commercial agriculture or for urban industry and commerce. They further declared that they were simply giving a little guidance to a great population movement — from city and town to the small rural communities. The fund would go only for demonstrations, perhaps seventy-five to one hundred small communities. The cost would be about twenty-five hundred dollars a settler. Each family was to be given a small, simple house and an acre or two of ground. It was expected that the settlers would work either in industries to be located in the communities, or in cities near by. Most of the settlements were near cities.

President Roosevelt looked upon this experiment as one which would lead to a better balance between types of communities. It would relieve overcrowding in certain large urban centers. It would assist certain stranded industrial groups to find a useful niche in society. It was plainly breaking new ground in a combination of agriculture and industry, in the direction of the much-talked of "decentralization." Others pointed out that it was in essence part-time farming that was being established, something which had gone on for generations in New England or West Virginia. Commercial farmers were suspicious of the development. They feared two things: the crops which the homesteaders might produce in competition with established farms; and the children that would add to school costs.

The Subsistence Homesteads Division made loans solely for the purchase of land and the building of houses. It was required that every community be planned and landscaped. The largest project approved was one in Georgia, calling for five hundred families. One near Rochester, N. Y., was for only thirty-three families. A loan was made to assist a project previously organized near Dayton, Ohio. M. L. Wilson, the first director of the Division, said in 1934, as the program was rapidly advancing: "The project is the forerunner of a type of planned resettlement which will have an important place in the nation's development in the next quarter century as lands are gradually brought to their best use. . . . It may serve as an important model for similar undertakings by states, local governments, and through private efforts in years to come." Critics saw the movement as highly tentative or precarious. Some said that it was the business of the government to keep the populations in the cities, and to engage in a type of planning that would employ the industrial workers there, rather than to move them to the country, where with a change of administration they might be stranded.

Conservation

Conservation with a vengeance was also on the first of the New Deal dockets. On April 5, 1933, Congress approved a simple act authorizing "emergency conservation work" and the President was empowered to employ young men for a period of two years on conservation and flood control projects. An average of about three hundred thousand men have been employed, and enlistments have been extended into 1935. There is much talk that the Civilian Conservation Corps may become perma-

nent. By the summer of 1934 a total of over six hundred thousand jobless young men had served in the corps at one time or another; there has been considerable turnover, with enlistments for periods of six months. The government pays wages of $31 a month and it costs about $21.70 a month a man in addititon for equipment, transportation, etc. Most of the men have sent portions of the wages paid to their families.

The President has been a forester and a reforester on the Roosevelt estate at Hyde Park, N. Y., and has had a great personal interest in the project. Robert Fechner is the director. The War Department trained and "conditioned" the men, and had charge of discipline and sanitation in the camps. No military training was given. Without the army's experience, the project could not have been carried through as rapidly as it was. An average of 8,540 men a day were "received, processed, and equipped" during the spring of 1933. This was said to have been a more rapid mobilization than that of the army and navy combined in 1917. Almost three thousand separate camps were established, indicating that the men were kept in comparatively small groups. The United States Forest Service supervised the actual work in prevention of forest fires, floods, and soil erosion; control of plant pests and diseases; building of forest roads and trails; repair of parks; planting of trees; cutting of timber, etc. An educational program has been carried on and libraries have been maintained in the camps. Systematic provision for religious services has been provided in coöperation with churches near the camps.

Five outstanding benefits have been listed by Mr. Fechner. "The forest program has increased employment, lightened state-relief loads, aided industrial re-

covery by furnishing a market for the sale of large quantities of supplies, reduced the huge dollar losses caused annually by fire, forest pests, and diseases, and improved the physical and mental outlook of the boys." In the beginning there were some complaints from villages neighboring the camps, but these have been much reduced. There were critics who said the CCC was simply a potential army, and there were at least a few high in government circles who said that the rapid mobilization had been made for the purpose of making an impression in other parts of the world. President Roosevelt, however, sternly and publicly rebuked at least one government official who thought of the CCC as an army. He said it was "the vanguard of a new spirit," and he wanted it so understood.

National Responsibility for Relief

With the coming of the Roosevelt administration the nation finally assumed responsibility for the relief of those who found themselves unemployed and stranded because of an international disaster. The administrator, Harry L. Hopkins of New York, who had had charge of the Temporary Relief Administration in that state, tackled his task vigorously and reported frankly. In the fall of 1933 he said in a public address to a national gathering of social workers that relief had nowhere been adequate, that it was not then adequate, and that there was not one good word in the English language that could be applied to relief as carried on in many places. He also said that a rough cross-section of the nation's occupations was then on the relief rolls.

In the first half of 1934 there were about as many people on relief as there had been in the first half of 1933. This was accounted for by the fact that the

longer the period of unemployment continues, the more rapidly do the savings of the self-sustaining unemployed give out. Thus, although we seemed to have only about ten million unemployed in 1934 as compared with about fourteen million in 1933, we still had between sixteen and seventeen million persons on the relief rolls. In some cities the numbers grew rapidly during the first half of 1934. It was estimated that the total relief costs in 1934 would be fourteen times those of 1929. In New York, the wealthiest city of the nation, relief was a staggering problem: the cost in 1933 was exactly eleven times that in 1929, and in 1934 the figure was still increasing. In June, 1934 — and spring is usually a peak in relief — the FERA appropriated over one hundred and fifteen million dollars. Commitments for August, 1934, were just as heavy. In a number of bituminous coal areas, more than half the population was on relief. The FERA reported: "Negroes were on relief in almost twice as great proportion to their numbers in the population as were whites." The FERA administered the five hundred and twenty-five million dollar drought relief fund authorized in 1934. By August 1, the federal government had appropriated for direct relief about two billion dollars. This included three hundred millions lent to states under the Hoover administration. It was estimated that the FERA would be spending during the next year over a billion dollars for direct relief alone.

The Federal Relief Administration made grants of half its funds to states, up to one-third of what they expended, but had wide discretionary power with the other half. The federal administrator might supplant any state administrator he found incompetent, and assume complete charge in that state. He has done so in several instances. More adequate pro-

vision has also been made for transients, whom the Hoover Administration had insisted upon neglecting completely. In 1934 the Relief Administration announced that it was dealing with three main groups who needed relief: (1) distressed families in rural areas; (2) stranded industrial populations, e.g., coal miners for whom there was no hope of future employment; (3) the unemployed in large cities. More extensive subsistence homestead plans were under consideration. Grants were made to 183 local "barter" or self-help organizations. The Surplus Relief Corporation began the purchase of marginal lands, some of which might become the basis of industrial-agricultural communities of the type previously described in this chapter. There was talk of putting unemployed workers into idle factories, and letting them produce for themselves. In a score of small places they were already canning food and making mattresses in factories which relief agencies had established. This was explosive news to the business community, which feared competition. FERA money was also being used to feed strikers — no distinction was made because of the cause of want. This was a sharp departure from past relief practices. The American Red Cross always refused to feed strikers.

The Committee on Federal Action of the American Social Workers reported in 1934: "While no social worker is likely to claim that the provision of relief throughout the nation has been adequate, any one with an opportunity to see the picture in the large must testify that there have been many marked advances in the direction of adequacy." Yet the New York newspapers openly reported that in 1934 two-thirds of the architects in the city were unemployed. Reports of the Milbank Memorial Fund indicated that there was 33 per cent more illness among the

unemployed than among those at work. Organized efforts were being made by social workers to get cash relief instead of the disgraceful grocery order. The wealthiest nation of the world continued to humiliate its unemployed and systematically to undermine their morale. In the land which had boasted of its rugged individualism, antiquated relief methods were still destroying individual self-respect.

Refinancing Homes

"Own Your Own Home," has been in numerous localities a "great American slogan." Yet in 1933 a fairly popular one, so far as effects were concerned, might well have been, "Burn Your Own Home." That year, it was said on good authority, had the highest number of arson cases in the history of the nation. Arson was being committed in three instances out of five in residential rather than in business sections. The record was said to be double that which obtained in 1926. Nor was the practice peculiar to urban centers, as some believed. One-third of the cases were rural. Fire insurance companies were obliged to take unusual protective measures against the increasing practice among debt-ridden home owners of trying to raise funds by this device.

Home mortgage relief followed in principle and method that of farm mortgage relief, described in Chapter II. The Home Owners' Loan Act of 1933 extended the powers and activities of the Federal Home Loan Board set up by the previous Administration. The Board was authorized to set up the Home Owners' Loan Corporation. The Corporation might issue stock aggregating two hundred million dollars, which would be subscribed for by the Secretary of the Treasury.

The Home Owners' Loan Corporation was author-

ized in 1933 to issue bonds not to exceed two billion dollars at an interest rate not to exceed 4 per cent. The interest and principal on these bonds have been guaranteed by the government. In 1934, the amount was increased to three billions, and the HOLC has been borrowing funds at 3 per cent. When a home owner was unable to renew his mortgage from other sources, the Corporation might offer to exchange its bonds for the mortgage. No mortgage was to be issued on a building exceeding twenty thousand dollars in value, and the face value of the bonds exchanged were not to exceed fourteen thousand, "or 80 per cent of the value of the real estate as determined by an appraisal made by the Corporation, whichever is smaller." Such loans bear interest at 5 per cent, and must be repaid over a period not to exceed eighteen years. If the holder of the mortgage preferred not to exchange it for bonds, the Corporation might make a cash advance to the home owner up to 40 per cent of the value of the property. The loan had to be secured by a duly recorded mortgage. The Corporation might also exchange bonds, or advance cash, to redeem or recover homes lost by owners by foreclosure or forced sale within two years prior to the exchange of bonds or the advance of cash. The Corporation might make such exchanges or advances in cash for a period of three years. Managers were soon appointed for each state, and the making of loans begun.

A variety of opinion greeted the first operations. Widely hailed as it was, Alfred E. Smith said it was not workable. *The New Republic* thought it was poor policy to try to rescue individual ownership in a time when increasing socialization was being demanded. The process was one of those time-consuming tasks which proved disheartening to many ap-

plicants. In cases involving the writing down of indebtedness, there had to be voluntary agreements between the creditor and debtor. These were frequently impossible to arrive at. Nevertheless, the process was rapidly speeded up. At the end of the first year of operations 306,887 mortgage loans had been made for over one billion dollars. The average loan was almost exactly three thousand dollars. Applications for almost fifteen hundred thousand loans had been received. It was estimated that when the process would be completed, and the entire fund of three billions lent, that the federal government's agency would hold about one out of six of the mortgages on small homes in the nation. In 1934, the HOLC received an appropriation of two hundred millions to lend to home owners for repairs. These were available only to persons whose mortgages had been refinanced by the HOLC. This agency, like certain others, was obviously not without political influence. Certain local political debts were being paid with jobs.

The HOLC program was simply to refinance the home owners who were in the worst distress. It was as nothing compared with the possibilities of the more thorough housing program passed by Congress in 1934. A new organization was set up, known as the Federal Housing Administration. The FHA is to carry on activities which cast the government in rôles it has never played before. It makes possible a housing venture which may cost about three billion dollars (some private, some public funds), as follows:

A. It will insure, to the extent of two hundred millions, loans for repairing and renovating homes up to 20 per cent of the aggregate made to an owner by any bank, trust company, building and loan association, instalment lending company, or other in-

stitution. The maximum loan to any one person is to be two thousand dollars, and the maximum term five years. With the government guaranteeing 20 per cent, a total credit of one billion dollars may be made available by lending institutions.

B. Construction of new homes is to be encouraged, on which the government agency will guarantee mortgages to 100 per cent of their face value, but such mortgages are to be for no more than 80 per cent of the appraised value. It is expected, however, that the home builder will pay premiums on an insurance scheme which may make the project self-sustaining. No mortgage on a single home may be for more than sixteen thousand dollars, but low-cost housing projects may be insured up to ten millions each. These mortgages run for 20 years and are to be reduced yearly by systematic payments. The guarantee of the government is to be one billion dollars.

C. Another billion is earmarked for insuring the conversion of existing short term mortgages, now running usually for one to five years. In these cases, government insurance is limited to 60 per cent of the appraised value of properties. Mortgages will also be written for a term of 20 years, and will be amortized.

D. A Savings and Loan Insurance Corporation, with a capital of one hundred millions, is created for the purpose of insuring individual accounts of local building and loan associations up to five thousand dollars, on much the same principle as bank deposits have been insured. Local associations must meet certain requirements to qualify.

E. National mortgage associations capitalized at five millions each, with power to issue obligations of their own up to ten times their capital stock, are established with power to buy and sell insured mort-

gages. These associations will offer to local lending institutions a service somewhat similar to that offered local banks by the Federal Reserve Banks. It is expected that they will be able to help bring liquidity to a frozen real estate situation.

Here we observe the use of the power of the state to bolster and revive private property and enterprise.

Railroad Coördination, Limited

"Nothing drastic, nothing fundamental" at this time for the railroads was one generalization of this part of the program. The Administration once considered several thoroughgoing plans for railroad consolidation but decided upon a program calling for a National Coördinator and regional coördinators, with regional advisory committees elected by the railroads themselves for a two-year period, expiring in 1935. The Act sets aside the anti-trust laws, if necessary, for putting into effect an order of the coördinator. The Interstate Commerce Commission was given control over holding companies. Reorganization of capital structures of railroads are also to be facilitated.

As coördinator, Joseph B. Eastman, a member of the Interstate Commerce Commission, was appointed. His reputation has been that of a liberal, a critic of many aspects of railroad administration, and a well-informed member of the Interstate Commerce Commission. In an interview he said he understood the main jobs to be the elimination of: (1) duplication of services and facilities; (2) unnecessary freight and passenger service; (3) unduly circuitous routes; (4) extravagance in solicitation of business; (5) waste in equipment repair; (6) unnecessary allowances to large shippers in the form of low charges for warehouses, etc.; (7) waste in the use of freight cars, etc.

Regular railroad employment is not to be reduced by any act of the coördinator below the volume of May, 1933. The orders of the coördinator will have the authority of those of the Interstate Commerce Commission, but appeals may be taken by railroads for review to the Commission.

The best-known actions of the coördinator have been his services as conciliator in the disputes over railroad wage contracts. On December 21, 1932, a reduction in pay of 10 per cent had been agreed upon as a temporary measure. In June, 1933, this was extended through the informal mediation of Mr. Eastman to July 1, 1934. On March 15, 1934, new discussions between the managers of the railroads and the chairmen of the railway labor brotherhoods were begun. These soon were deadlocked because the labor representatives stood for restoration of the basic rates of compensation on July 1, 1934, and the managers asked for a further reduction effective the same date. President Roosevelt appointed Mr. Eastman formally as conciliator in this instance. The controversy, it may be noted, is essentially one between bondholders and workers. Bondholders want railroad wages reduced in order to protect their own income from the properties. But many of the railroads are alleged to be overcapitalized, and it is widely held that only reorganizations which will write down indebtedness can do anything effective for them. The result of the negotiations was that the pay cuts were gradually restored, at the rate of 2½ per cent on July 1, 1934, 2½ per cent on January 1, 1935, and 5 per cent on April 1, 1935. In 1934 the Department of Labor issued a report stating that six hundred thousand railway employees had been laid off since 1929, and that the wages of those at work were a billion and a half annually in 1934 as

compared with two and a half in 1929. This was the result not only of the 10 per cent deduction in compensation, but also of part-time work, demotions, and sharing of work.

A few other developments relating to railroads may be briefly noted. The advisory coördinating committees were quickly elected. Mr. Eastman then announced a basic survey to reveal possibilities of modernizing and coördinating freight service. The Reconstruction Finance Corporation ordered reduction of salaries before approving a loan to the Southern Pacific Railroad Company. A reporter thereupon quoted a railroad official as saying that railroad managers were now permitted only two powers, one limited: they might still declare dividends if there was any chance of earning them, and they might still choose their own wives. The next day Mr. Eastman said to executives that salaries of those "at or near the top" were still too high. Reductions would not save much money but would be of great psychological value. They were made.

Mr. Eastman made a series of reports to Congress which commanded attention. He spoke frankly of "threatening chaos" in the nation's transportation system. 'Since 1920, the transportation facilities of the country have expanded enormously. . . . The natural result has been a bitter struggle for traffic. . . ." All transportation agencies were in need of control, said the coördinator, not only the railroads. Some facilities were now wasteful.

Another report dealt with the question: "Is there need for a radical change in the organization, conduct, and regulation of the railroad industry which can be accomplished by federal legislation?" The answer of the coördinator was in the affirmative. A news story in *The New York Times* described it as

"one of the strongest arguments for public ownership and operation ever made in the subject." Mr. Eastman submitted a tentative plan for public ownership but added he would not push it then. In the course of the report, Mr. Eastman wrote: "Theoretically and logically public ownership and operation meet the known ills of the present situation better than any other remedy. . . . However, if and when that time arrives, the impelling motive will probably not be logic or theory, but the practical one that private enterprise and capital will not be able to carry on successfully." A little later Virgil Jordan, president of the National Industrial Conference Board, New York, said the discussion of government ownership of railroads was the result of "the essentially Bolshevist spirit which has gripped the world today." He believed private enterprise could carry on, but asked for increased government credit and the removal of government restrictions on the railroads. Yet he believed the banking system was already nationalized in effect, and unless there should be "a great change in the attitude of the American people . . . it is safe to say that by 1940, or not long thereafter, our railroad system will be wholly in the hands of the government. . . ."

The railroads had 10 per cent more employees in June, 1934, than in June, 1933. A new law in 1934 set up a comprehensive pension system for railroad employees. Another Act established a new Railway Adjustment Board, for the mediation of disputes between employer and employee, reorganizing the previously established Railway Mediation Board.

The Tennessee Valley

In his inaugural address, President Roosevelt said: "We must frankly recognize the overbalance of popu-

lation in our industrial centers and, by engaging on a national scale in a redistribution, endeavor to provide a better use of the land for those best fitted for the land." The Tennessee Valley project, including the white elephant of Muscle Shoals, was selected to be Exhibit A of what can be done to plan industry in relation to agriculture. President Roosevelt, it should be understood, is not advocating a large back-to-the-farm movement. He is rather interested, as he has several times put it, in a decentralization of industry which will provide country homes for industrial workers.

This great experiment in regional planning covers the valley of the Tennessee River, which rises high in the Appalachian Mountains. In its total length of 700 miles, the river has a drop of 660 feet and, in one relatively short distance, a drop of 290 feet. Its basin contains 40,000 square miles. Near the river are coal, iron, limestone; in the basin are other important minerals such as lead, zinc, and copper.

President Theodore Roosevelt was once interested in developing the Valley of the Tennessee. As early as 1917 its potentialities for producing power received national attention. The Muscle Shoals Dam was erected in order to supply power for extracting nitrogen from the atmosphere for the nation's war needs. Since the Armistice, Muscle Shoals has been a football. Plans are being made to develop power not only there but at other important points.

The instrument is the Tennessee Valley Authority (TVA), a government corporation with three directors appointed by the President. It is given power by an Act approved May 18, 1933, to operate Muscle Shoals, develop the agricultural and industrial possibilities of the Tennessee Valley, improve navigation on the Tennessee River, and control floods of the

Tennessee and the Mississippi Rivers. It may acquire real estate and build dams, power houses, and transmission lines. It may make contracts and sell electricity, fertilizers, and other products. But its sponsors insist it is to be much more than a project to make cheap power and fertilizer: it is to be a regional experiment in human relations.

The Chairman of the Tennessee Valley Authority is Arthur E. Morgan, recently president of the unique Antioch College, a noted engineer. On June 22, 1933, he wrote a letter to the Secretary of State, as follows:

"President Roosevelt has appointed me to be chairman . . . of the Tennessee Valley Authority. In this position I shall have responsibility for certain public money and public property. As a matter of public policy, I am sending you herewith for your records a statement of all the real and personal property and other assets owned by me and by my wife and children as of June 1, 1933. I suggest that this be filed with my oath of office. A copy is being sent to the Attorney General. It is my intention to file a comparable statement when I relinquish the above office."

An Associated Press dispatch described Dr. Morgan's action as "an innovation in governmental office holding." In a statement of policy on power, David E. Lilienthal, a member of the Authority, said: "The interest of the public in the widest possible use of power is superior to any private interest. Where the private interest and the public interest conflict, the public interest must prevail."

The Tennessee Valley Authority got under way vigorously. It was protected from political spoilsmen to a much greater degree than any other of the new agencies. It was once described as "the only socialism in the New Deal," but it was obviously also

drawing from the experience of the economic coöperative movement, from corporation experience and from the historic individualism of the people of the area. The new dam near Knoxville was named Norris Dam, after Senator George W. Norris of Nebraska, who has had a special interest in the project for years. Construction was proceeding ahead of schedule in 1934. The new town near by was also named Norris, and it is said it will be a "coöperative community." The members of the authority announced that they will assist the organization of coöperative stores, furniture and rug factories, etc. In the town of Norris only one general store was to be built and it was to be a coöperative. An inventive spirit was shown in erecting houses. They were adaptations of mountain homes, preserving the spirit of the region.

Efforts were made to sell electricity to municipalities in the region. The city of Tupelo, Mississippi, with eleven thousand people, was the first to purchase power from the Muscle Shoals plant. The Electric Home and Farm Authority was established as a separate corporation with a grant of one million dollars from the public works fund to buy, sell, and manufacture electrical appliances. It was getting under way, and was forcing simplification of appliances as well as lower costs for consumers. It was also attracting law suits to test the constitutionality of the TVA Act. The production of power in the Tennessee Valley is to be a "yardstick," to be available to the public, so that costs of production and distribution will be generally known.

Coördination of All Efforts

The President's problem was to a great extent administrative. His generalship in leading Congress, his publicity powers in developing a public opinion,

his capacity to choose a course after the brains around him had disagreed, his ability to know when to play the high trumps of the New Deal, were all important. But in the last analysis the program would be judged by how well it was administered. In such a situation as the country faced in 1934, there was evident need for "mounting expenditure of eternal vigilance," to use a phrase of Kenneth Burke in *Counter Statement*. As one of the difficulties of administration that of "coördinating the coördinators" certainly stood out. Many of the goals set called for results in a short time. Would the President be the "boss coördinator?"

Two important steps were taken. One was the organization of the National Emergency Council, with Frank C. Walker as executive, and the other was the appointment of state emergency councils with full-time directors. The National Emergency Council met every Tuesday under the chairmanship of the President. It consisted of the Cabinet, the heads of all the new recovery administrations, and the Director of the Budget. Its weekly meeting took the place of one of the two customary weekly sessions of the cabinet. The NEC also had a Washington office and a department known as the United States Information Service, to interpret the New Deal to visitors to Washington. To the state emergency council directors were given the important tasks of interpreting to the public the multifarious new activities, particularly by answering inquiries, and of the state compliance work of the NRA and AAA, previously discussed. Whatever their views of the great national experiments under way, there were many who felt that at least the effort was being bent to secure that quality of administration which was essential to a fair test of success.

CHAPTER VII

THE NATION AND ITS NEIGHBORS

The domestic scene must be firmly fitted into the world scene.—*Charles A. Beard.*

"WHAT a far cry from 1898! Then we had a 'manifest destiny' to bring 'blessings' to islands far away. Today we wish to have little to do with any islands. We have only the thought of laying taxes on their products, which compete with those of our farmers." In this judgment was contained much about the changed mood of the nation. The urge of imperialistic expansion had certainly been toned down in thirty-five years. An inward-looking nationalism was apparently superseding it. Probably largely because of the dominance of the mood for as much self-containment as possible, we offered the Philippine Islands their freedom, and abrogated the Platt Amendment so as to make Cuba an independent nation. Other significant and related steps were taken. President Roosevelt and Cordell Hull, Secretary of State, proclaimed their opposition to armed intervention in the affairs of another nation. President Roosevelt on two occasions offered an international pact, binding the nation never to send armed troops across its frontier. The marines of the United States were withdrawn from Nicaragua, and we promised to have them out of Haiti by October, 1934. The administration of Puerto Rico was transferred from the War Department to the newly created Division of Territories and Island Possessions.

Would America Choose?

And yet on matters international it might be observed of the years 1933-34 that there was no clear

national will. There were events of note. It was a critical situation. But because there was apparently no mandate from any large articulate group, the Administration was only sparring. There were those who saw the country as having one of the worst doses of nationalism it ever had, and as being far from developing an intelligent policy of making the nation a good neighbor. Others saw glimmers of the emergence of a new policy. It seemed clear that the Administration was at least groping toward choosing a policy, but remaining sensitive to the provincial outlook of large sections of the population.

One of the most notable and interesting documents of the time was probably that written by a former corn breeder from Iowa, the Secretary of Agriculture. "America Must Choose!" he said convincingly in a pamphlet published jointly by the Foreign Policy Association and the World Peace Foundation. It received a great hearing. Newspapers published it in full. For a time at least it seemed as though many groups among the people would give heed to it.

Mr. Wallace said we must choose one of three courses: (1) that of out-and-out economic nationalism, or "autarchy," trying to be as self-sufficing as possible; (2) that of wholehearted international coöperation, which would mean taking in new imports worth about a billion dollars a year and the building up of large export trade; or (3) a middle course between the two, involving new import trade valued at about half a billion a year. On one occasion he added a fourth course, which he held would in the end prove the most costly of all, that of letting things drift. Every one of the three courses among which the Secretary said we must choose would involve careful planning and would cost something to carry out:

extreme nationalism would require low living standards at home and extreme regimentation in industries accustomed to export, notably certain branches of agriculture – it might mean taking fifty to one hundred million acres out of production; the receipt of a large volume of new imports would call for the systematic lowering of tariffs and probably the wiping out through planned retirement of home industries that could not compete with production from abroad. Mr. Wallace favored the middle course; he believed it would aid in recovery and the improvement of living standards. The majority of the people probably were still bent on his fourth and most costly course – letting things drift.

The persistence of Secretary Hull to achieve something by way of international coöperation was notable. To workers for peace the times were highly confusing and discouraging. But Mr. Hull kept resolutely at it. The issues shifted considerably. Once Mr. Hull was for a general reduction of tariffs. This becoming impossible, he favored executive reciprocal trade agreements, later discussed. In Latin America a new leaf was turned over, largely through Mr. Hull's efforts at the Pan-American Congress in Montevideo.

London

In London the World Economic Conference came to grief in 1933, largely over refusal of the government of the United States to agree to international stabilization of currencies. Thorough preparations had been made for the gathering. Sir Arthur Salter said before it convened, in an article in *The New York Times* entitled "The Nations at the Cross Roads," that "the London Conference will determine whether they are to coöperate for trade recovery, or whether the world is to be broken into separate, and

perhaps hostile economic units." With the exception of an agreement among a group of nations on wheat exports — which was difficult to enforce in 1934 — it was evident that the nations had at least not decided to coöperate for trade recovery.

The chief difficulty was that the economic scene in the United States had changed greatly between the start of the preparations and the arrival of the delegates. American participation was begun by one administration in the early stages and completed by another. President Roosevelt held, by way of preparation, important informal conversations with Premier MacDonald and representatives of many other leading nations between March and June, 1933. The nations divided at London into a European gold bloc (i.e., of the representatives of the nations still on the gold standard) and a much larger group with objectives less well defined. An informal program in opposition to currency depreciation had received assent among many governments in January, 1933. But Mr. Roosevelt would not carry it out. He had made the great decision in favor of a certain degree of currency depreciation. The delegation of the United States issued a statement in London on July 5, 1933: "Revaluation of the dollar in terms of American commodities is an end from which the government of the people of the United States cannot be diverted. We wish to make this perfectly clear. We are interested in American commodity prices . . ." Because of a general unwillingness to pursue thoroughly the other topics on the agenda, the London Conference adjourned in an atmosphere of discouragement.

Moscow

The recognition of the Union of Soviet Socialist Republics was widely regarded as one of the most

daring steps which President Roosevelt took. This was because there were large groups in the citizenry who vigorously opposed the action. That it was accomplished with neatness and dispatch indicated what novel things could be accomplished in the unusual times. The big stumbling blocks had been claims and counter claims. The government of the United States abandoned one of the chief points in American policy in relation to the Soviet which had obtained for sixteen years. It agreed that all financial questions should be taken up through diplomatic channels after recognition. The Soviet Union, on the other hand, agreed to grant religious liberty to citizens of the United States and other assurances concerning the civil rights of such citizens of the United States as reside in Russia. Plans were made to promote trade with the Soviet Union, which will probably eventually buy mainly cotton and manufactured products, including machinery. We shall have to take in mainly raw materials. It appeared, however, that Russian purchases would not be large in the immediate future, perhaps not more than one hundred millions a year, and that these would have to be financed by special government credits to the American exporters who handled the orders. In a discriminating article in *Current History* Edgar S. Furniss, dean of the graduate school of Yale University, expressed the opinion that recognition would not directly expand our foreign trade in the immediate future, but that the psychological effects might be very great and become of more and more importance later. Professor Furniss also expressed doubt that there could be any successful conclusion to negotiations of claims against the Czarist regime in Russia. On May 28, 1934, the Soviet Government revealed that it had rejected a proposal by the Amer-

ican government for the settlement of Russia's pre-revolutionary debt. The terms of the proposal have never been revealed. Trade relations remained at an *impasse*.

Montevideo

Of the Pan-American Conference which adjourned early in 1934 mainly good reports were heard. Undoubtedly the delegation of the United States acquitted itself well and demonstrated effective and conciliatory methods in Latin America. In our casting about for trade, we naturally have the markets to the south of us in mind. We do well, therefore, to make peace in Latin America.

Samual Guy Inman, secretary of the Committee on Coöperation in Latin America, who has long been a critic of major aspects of the policy of the United States in that region, said after the Montevideo Congress: "There is today a greater degree of amity between our country and the republics of South America than at any other period in our history." L. S. Rowe, director general of the Pan-American Union, summarized the three achievements of the Montevideo Conference as follows:

"First, through its action in the Bolivian–Paraguayan dispute the conference proclaimed to the world the responsibility of the republics of America for the maintenance of the peace of this continent. This was, in fact, the most impressive and in many respects the most inspiring aspect of the conference.

"Second, the conference gave a distinct economic content to Pan-Americanism, affirming in no uncertain terms the obligation of the American republics to remove the artificial obstacles to inter-American trade which now threaten to strangle the commerce of this continent.

"Third, the conference established as a basic prin-

ciple of Pan-Americanism the obligation of a State to refrain from interfering in the domestic or foreign affairs of another State."

President Roosevelt's public declarations that we would never again intervene in Latin America as we had in the past, that armed intervention, if ever necessary in the future, must be a joint affair, were also widely hailed throughout the Southern Hemisphere and Central America. The handling of a difficult situation in Cuba, although subjected to much criticism, was carried out without armed intervention, in spite of the fact that the United States was, until the abrogation of the Platt Amendment, in a special relationship to Cuba.

The Far East

It was generally agreed that the two chief danger spots in the world were the Far East and Central Europe. In the Far East the United States continued to disagree with Japan on major policies. We persisted in refusing to recognize the new Japanese-created state of Manchukuo. We did not concur in a statement made by the Japanese government in regard to its special responsibilities in protecting China. We reminded Japan of treaties we had with China, and of our adherence to the open-door policy. The United States, as well as other industrial nations, was apprehensive regarding Japanese gains in international trade. Japan's low-cost products were in many instances coming into severe competition with our own.

In 1934 Congress passed a new law, offering freedom to the Philippines by 1945, or soon thereafter. The plan was soon accepted by the legislature of the Philippines. The legislature was to call a constitutional convention, to convene not later than October 1, 1934, to draft a constitution for the Philippines.

The constitution thus formulated is to be submitted within two years to the President of the United States; and, if he certifies that it complies with the terms of the Act of Congress, it is to be submitted within four months to an election in the Philippines. A majority vote will put into effect an election of officers of the new government. For nine years thereafter, exports of the Philippines into the United States will be subject to a gradually increasing tax. During this period the United States will continue to have certain well-defined powers. Ten years after the inauguration of a new government, the Philippine Islands are to be declared free and independent. The United States will then give up all army bases, but not the naval bases. Within a period of two additional years, the President of the United States and the new government are to negotiate "for the adjustment and settlement of all questions relative to naval reservations and fueling stations of the United States in the Philippines Islands, and pending such adjustment and settlement, the matter of naval reservations and fueling stations shall remain in its present status." The President is instructed to confer with other nations to try to secure an agreement making the Islands neutral territory.

When the Philippine legislature accepted the terms of the Act of 1934, it agreed to be placed on a quota basis for immigration. The maximum number of persons to be admitted from the Philippines to the United States each year is fifty.

The War Debts

The issue of the war debts had hung like a dark and heavy cloud over the London conference. They were not on the official agenda, although they might as well have been there. Ever since the moratorium

declared in 1932 the agreements as to payments of the war debts, totaling about eleven billion dollars from thirteen countries, had been breaking down. Great Britain had been making token payments in silver, which were regarded as sufficient by the Administration to avoid the term of default.

In April, 1934, Congress passed the Johnson Act, forbidding loans by American citizens to nations which had defaulted on their debts to the government of the United States. It did not apply to loans by government agencies, but the directors of the new Import–Export Bank, set up with government funds, decided that they would carry out the same policy. This action by the Bank at once halted any loans to finance new Russian business. After President Roosevelt signed the Act, the Department of State asked the Attorney General for an opinion as to what constituted default. His opinion was that the debtor nations must pay their regular instalments thereafter, that token payments would not in the future avert default, but that accumulated obligations need not be paid. But the Johnson Act helped to put an end to war debt payments, except for those from Finland, which was the only nation to pay on June 15, 1934.

Chief interest centered around the decision of Great Britain, which is the largest debtor. Her message on June 5, 1934, announcing that she would not pay, stressed the view that Great Britain had already paid heavily to the United States and that renewal of payments would be difficult and dangerous in the critical international situation. It stressed the point that payment would probably disturb the stability of international exchange, that Great Britain as a creditor of other nations on account of war debts had already made great concessions, and that reparations from Germany had ceased. Secretary Hull then of-

fered to consider partial payments in kind, which obviously could not be much of a factor, but the idea was not relished abroad. There is general agreement among economists, that the war debts can only be paid in three ways, as follows: (1) The nations might ship us gold (in the present situation obviously impossible) except possibly for a time in the case of France, because to ship gold in large quantities would have serious repercussions on domestic affairs in Europe and on exchange rates. (2) The nations might negotiate loans in the United States with which to pay their debts, — procedures which some have followed in the past — but these are now prohibited to defaulting nations by the Johnson Act, and there is no disposition among citizens of the United States to make such loans. (3) The nations might pay in trade by shipping us considerably more in imports than we send them in exports, but with our tariff walls and the unwillingness of the United States to have a large excess of imports, this, too, is impossible.

President Roosevelt sent a message to Congress on the war debts on June 1, 1934. It probably had little effect except to spike debate in Congress, which is unusually sensitive on the subject, but which is probably better informed as to public sentiment on the question than any other group. In general, it seemed altogether impossible to secure a reasoned and informed public discussion of the war debts on any scale at all in the United States. People were generally too much concerned about personal and domestic debt to think calmly about the war debts. The President said that our government would be willing to study the situation with the debtor nations in separate conferences. The nations were reminded that we expected payments. In scaling down debt, we should obviously be influenced, he said, by the uses

the debtor governments were making of their funds. This obviously referred to expeditures for armaments. But we were in no position to preach on that issue, as the facts below indicate.

Armaments

The race of armaments was on. Walter Lippmann wrote in 1934: "From every quarter of the globe come reports of measures to increase armament on the sea, on land, and in the air. Frequently the remark is made that the world is threatened with a race of armaments, and that something must be done to prevent it. But the dreadful truth is that the race of armaments is not a threat. It is a reality. The race began two years ago and what we are witnessing today is the race itself."

In the United States the main center of attention was the navy. From the public works fund the navy received in 1933, nine millions for new airplanes and two hundred and thirty-eight millions for new ships. But this was small change as compared with the Vinson measure passed in 1934, authorizing 102 new ships and 1174 airplanes, to cost up to a billion dollars. This would build our navy up to the treaty limits provided for in the naval agreements negotiated in London in 1930, and which expire in 1936. The Vinson Act appropriated no money. That was left to future Congresses. It was regarded as a declaration of policy only. England proposed in 1934 a preliminary conference with the United States and Japan to consider plans for the scheduled Naval Conference of 1935, as provided for in the agreements of 1930. A preliminary committee met. Ramsay MacDonald appeared before it to announce that England would ask for a larger navy. In Japan influential newspapers said that Japan, too, would re-

quire expansion. There was some opinion that it might be better if the 1935 conference would not be held at all.

The United States Senate passed on February 28, 1934, a resolution giving the President power to embargo arms, as follows:

"*Resolved, etc.,* That whenever the President finds that in any part of the world conditions exist such that the shipment of arms or munitions of war from countries which produce these commodities may promote or encourage the employment of force in the course of a dispute or conflict between nations, and, after securing the coöperation of such governments as the President deems necessary, he makes proclamation thereof, it shall be unlawful to export, or sell for export, except under such limitations and exceptions as the President prescribes, any arms or munitions of war from any place in the United States to such country or countries as he may designate, until otherwise ordered by the President or by Congress: *Provided,* however, That any prohibition of export, or of sale for export, proclaimed under this resolution shall apply impartially to all the parties to the dispute or conflict to which it refers.

"Sec. 2. Whoever exports any arms or munitions of war in violation of section 1 shall, on conviction, be punished by a fine not exceeding $10,000 or by imprisonment not exceeding two years, or both."

The Administration was opposed to the amendment of Section one, beginning, "Provided, however," and the result was that the House was not asked to take action. However, a special resolution empowering the President to embargo shipments of arms to the participants of the war in the Chaco (Paraguay and Bolivia) was passed. The President immediately proclaimed the embargo. It would only be

effective if seventeen arms-producing nations joined in, but it appeared that they would all coöperate.

The Disarmament Conference of the League of Nations dragged on and on in 1934, seeking an acceptable formula combining a limited rearmament in Germany with French and other demands for "security." To review systematic efforts for disarmament would require looking back to the Treaty of Versailles and the Covenant of The League of Nations. In that Covenant the victorious nations obligated themselves to a reduction of armies even as they had reduced those of the nations vanquished. After the victorious powers had failed to keep their promises for over a decade, the Conference for the Reduction and Limitation of Armaments finally met after much preparation on February 2, 1932. In June, 1932, President Hoover proposed a reduction of one-third in armaments, along with abolition of the more aggressive land forces. In September, 1932, Germany withdrew, because she was not making progress toward "equality." She later returned, but withdrew again in October, 1933, and announced that she would resign from the League of Nations. Since then it has been a discouraging struggle.

The Disarmament Conference met again on May 29, 1934. Norman H. Davis, the chairman of the delegation for the United States, made a plea for continuing serious work. "With a real spirit of coöperation we can still achieve success," But by the middle of June the conference again adjourned to meet in October, meanwhile appointing committees to continue the study of four problems. These included proposed European security pacts, aerial bombardment, the arms traffic, and guaranties for a possible treaty on arms. The consensus of the reports of correspondents was that the meeting had left the situation unchanged. Perhaps the main new development

was that Russia sided with France in putting security first. "Perilously near to despair," were the words used by one reporter in describing the adjournment.

A special Senate Committee, under the chairmanship of Senator Nye of North Dakota, decided upon "a sweeping investigation" of all aspects of the munitions industry in the United States. This was authorized in March, 1934, and plans were under way to gather data about "the manufacture, sale, import, or export of implements of war." The Committee received from the Senate rather broad instructions, including one to report on the desirability of creating a government monopoly of armaments.

Geneva

The fortunes of the League of Nations were undoubtedly at a low ebb. The resignations of Japan and Germany, the fact that Russia and the United States were outside, the failure of the London Conference, and the difficulties of the Disarmament Conference, considerably affected the League's prestige. H. N. Brailsford wrote from London that the League was "in decay." *The World Tomorrow* questioned in an editorial whether the League had a future as an effective instrument of international coöperation. At Geneva, however, plans for revising the Covenant were speeded up.

President Roosevelt said in 1934, on the birthday of Woodrow Wilson, that we did not intend to join the League of Nations, but that we could informally coöperate in many matters. The League had many loyal defenders in the United States, but the question of our joining formally was not regarded as an immediate issue at all. Congress in 1934 authorized President Roosevelt to accept full membership in the International Labor Organization, maintained by the

League. The ILO immediately sent an invitation. We accepted. This membership will give us the closest relationship we have as yet had with the League of Nations. A vigorous effort was made by the representatives of a large number of organizations in 1934 to secure our adherence to the World Court, but the attempt did not secure administration coöperation.

There were competent students of international affairs who saw international anarchy impending. *The World Adrift* was the title of a pamphlet written by Raymond Leslie Buell, published by the Foreign Policy Association and the World Peace Foundation. Twenty years after the beginning of the World War, H. N. Brailsford wrote that the world was looking forward to war. "A collision of new forces threatens the peace of Europe," wrote Anna O'Hare McCormick. Frank H. Simonds said Europe was awaiting a new Sarajevo — some critical incident to start the process over again. Mr. Simonds said that the World War, begun in 1914, had never ended. It was simply entering a new phase. Armed conflict was again imminent. His pessimism went so far as to make him say: "There are new men in Downing Street, at the Quai d'Orsay, in the Wilhelmstrasse, and on the Plaza Venezia. But there is no new spirit anywhere. Litvinov and Barthou at Geneva repeat the performance of Sazonov and Poincaré at St. Petersburg, which has since been Petrograd and is now Leningrad — that performance which was the curtain-raiser of the World War. Berlin greets the specter of a new 'encirclement' as it did the shadow of the old, first when the Russian fleet went to Toulon and second when King Edward visited Paris. Finally, there is a Disarmament Conference at Geneva now as there was at The Hague then; but the difference is geographical alone." In England, for example, possible war tactics were publicly discussed. Germany's re-

armament was taken for granted, as that nation moved into another crisis. It was evident too, that the nations were at war for trade, and that a trade war might be only the prelude for one in which armies and navies would engage.

President Roosevelt's proposal in 1934 for another pact, a solemn agreement not to send armies to the soil of another nation, received little practical consideration. In Europe it was pointed out that even if such a pact were agreed to, Washington would have the same old problem of what it would do to coöperate in collective action to deal with an aggressor. Norman H. Davis, our ambassador at large, said that we would be willing to consult with other states if there were a threat to peace; and if measures were to be taken against a violator, and the United States concurred that the findings and steps proposed were correct and appropriate, then we would do nothing "tending to defeat such collective effort." Beyond that we have not yet as a nation said we would go.

There was an influential group in the United States which held that a rigid policy of neutrality on the part of this nation might actually become one of the most formidable techniques making for peace. Reinhold Niebuhr wrote in 1934 that "the total world situation is obviously drifting toward increasing chaos" but argued for "strict American neutrality under any and all circumstances." In answer to the question, "Shall we seek world peace or the peace of America?" he answered that we should seek the peace of America.

"Pork and Tobacco for Liquor"

The Federal Alcohol Control Authority, which administers the code of the liquor industry, was granted

flexible power to regulate imports. It was possible by arranging for quotas of liquor from France and Spain to persuade these nations to increase their quotas of American products. Spain did so for tobacco, France for meat. Thus was the door opened for a new step — granting flexible tariff powers to the President to enable him to barter with the nations for the purpose of building international trade. It seemed to be the only way out of a system of tariffs, quotas, embargoes and other restrictions, which had strangled large portions of international trade. It was believed that it presaged the development of a new foreign trade policy.

The President asked in 1934 for powers to negotiate "reciprocal executive agreements" and to decrease or increase tariff rates up to 50 per cent, agreements to run for not more than three years. He did not ask for power to transfer articles "between the dutiable and free lists." The Committee on Commercial Policy of the Foreign Policy Association and the World Peace Foundation strongly endorsed the proposals for flexible tariffs. So did Henry L. Stimson, Secretary of State under President Hoover. These powers were granted and negotiations were begun. They can probably be negotiated only slowly. If an agreement is proposed to lower the tariff on a certain product, a public hearing must be held, enabling home industries to present their case. It seemed that a thorough search would be made to start the process by treading on as few toes as possible. Another limiting factor is that because of the existence of "most-favored-nation" treaties with a large number of countries, the United States must grant any tariff concessions to the whole list and not only to the nation with which we are making a bargain.

By executive order the President established the

office of special advisor on foreign trade. The Reconstruction Finance Corporation purchased preferred stocks in three newly created banks set up to finance import and export trade. One of these would finance Russian trade and might extend maximum credits of one hundred million dollars. These operations were held up, as we have noted, because of the Johnson Act, forbidding citizens from making loans to nations in default on debts to the United States. The Johnson Act did not apply to government loans, but the directors of the new import-export bank passed a special resolution declaring they would hold up loans to Russia.

The achievement of international coöperation was obviously not the dominant effort of the Roosevelt administration. Its deepest mood was nationalistic. In this, it simply shared in a noticeable world trend. Public opinion was in a somewhat chaotic situation, so far as foreign affairs were concerned. No large section of the population seemed ready to pay the price of a practice of whole-hearted internationalism. The participation of the Nation in a world-wide race for armaments was viewed without much concern by the generality of the citizens. On this, as on many other questions, it appeared that Mr. Roosevelt knew his United States very well.

Secretary Wallace observed: "The things this Administration has done thus far may seem spectacular, but they are only a faint foreshadowing of some of the things which will ultimately be necessary before the United States has finally made for herself her new, true place in the family of nations." Obviously, greater efforts than those the Administration or responsible groups among the citizens had made, would have to be exerted and supported if an international statesmanship was to become a reality.

PART II

IMPORTANT QUESTIONS REGARDING THE PROGRAMS

CHAPTER VIII

HOW HAVE CONSUMERS FARED?

Keep prices down—for God's sake, keep prices down!—*Hugh S. Johnson.*

In his message to the 1934 Congress, President Roosevelt said: "We would save and encourage the slowly-growing impulse among consumers to enter the industrial market place equipped with sufficient organization to insist upon fair prices and honest sales." *The St. Louis Post–Dispatch* published an editorial in 1934 stating that "the position of the consumer is being considered in this country now as never before." It was being contended that the NRA and the AAA were making strenuous efforts to protect consumers, and both these agencies advanced evidence that there was much activity in that direction.

But Consumers Research, the largest organization of consumers banded together for their own protection, protested vehemently and consistently that the consumer was "the forgotten man" of the new Administration. In a significant statement in *The New York Times* of March 18, 1934, F. C. Hughes, who conducted a weekly department under the caption of "The Merchant's Point of View," wrote: "Profits are rolled up and prices in many cases advanced unreasonably. The worker in his rôle of consumer is to

bear the brunt again. Real wages are falling . . ." Reinhold Niebuhr, in his *Reflections on the End of an Era,* hurled a more fundamental indictment: "Mass production requires mass consumption; and capitalism is unable to provide mass consumption. From this basic ill of modern society all other defects seem to spring."

Here was obviously no minor controversy among the many to which the New Deal gave birth. All of us are consumers. Consumers are generally unorganized. In urban communities the concern was over the relation or the "race" between wages and prices. In farm communities, producers continued to be worried about prices for farm products as compared with those of the supplies which farmers must buy. Howard S. Braucher, director of the National Recreation Association and chairman of the National Social Work Council, wrote in a poem:

"Back to the chaos we shall all go together
Except as we keep all men buyers . . .
For we cannot get along without the men who buy."

The whole recovery program was in essence an attempt to increase and maintain the buying power of the masses. By May of 1934 it was estimated by Frances Perkins, Secretary of Labor, that payments of wages were at the rate of eighty-eight million dollars weekly higher than in early 1933. Farm income had increased by about a billion and a half, or about 25 per cent. The federal spending program for relief and public works was having an effect. The National Industrial Conference Board reported in May, 1934, that the average weekly wage in twenty-five of the largest manufacturing industries went from $15.49 to $21, as compared with a year before. This was a gain of about one-third. Meanwhile, the

Board's figures said, the cost of living had risen 9.7 per cent. Figures of the Department of Labor indicated that the cost of living had advanced 6.3 per cent between June, 1933 and June, 1934, and Secretary Perkins stated that increases in wages had been at a greater rate, although full comparable figures had not been compiled. But with it all the protection of the consumer interest was a paramount issue. If prices — and profits — were advanced much more rapidly than consuming power, might not the program be defeated? We should therefore review the work of the federal agencies for consumer protection and refer to the variety of opinions held by well-informed people in regard to them.

The Consumer and the NRA

The set up of the NRA provided for a Consumers' Advisory Board along with the Industrial Advisory Board and the Labor Advisory Board. Mrs. Mary H. Rumsey was appointed chairman. The Board has functioned as an integral part of the NRA, but it has not had access to the press, except through the administrator. The Board has been named in not unfriendly fashion little David battling Goliath, or many Goliaths, in the form of organized industry. But the allusion may not be pertinent, because as yet apparently no major victories are credited to little David.

The Board has a staff and is represented at the hearings held on the making of codes. It has been on the lookout for practices and provisions which might be harmful to consumers. It has lodged vigorous protests against certain codes, for example that for petroleum, alleging that prices far beyond those warranted by advancing labor costs were being permitted. The Board has consistently opposed monop-

olistic tendencies in code making and has insisted that, where the force of competition is diminished by the rules of the codes, adequate public regulation of prices should be established. The Board has held that when codes prohibit selling below cost, that "cost" should be defined as that for each industry or trade and not as the average for an entire industry. Yet there is competent opinion in high places that the Consumers' Advisory Board was practically ignored by the Administrator of the NRA and by his influential deputies during the first nine months of code making.

The Board has had a Price Increase Committee which analyzed prices, and which has made intensive studies of certain of the codes. On February 19, 1934, the Board presented a significant memorandum to General Johnson on the working of codes, which was released by him to the press on March 4. The Board said that the NRA had apparently been successful in attaining certain major objectives. It hailed the attack on child labor and sweated labor. But the Board held that "rising prices at retail have partially offset the increased money income of wage workers and farmers." It urged continuing efforts to expand consumer income. The Board found that arrangements had been made to fix uniform prices "of numerous products, sometimes locally, sometimes nationally, sometimes with code sanction, sometimes without." The Board went on to "call names" as follows:

"Industries which our observations indicate may have retarded the recovery program by increasing prices more rapidly than they have increased wage payments include the lumber industry, where the price increases on sawmill products appear to have been about twice as large as would be justified by in-

creased wage payments; the paper and pulp industry, in which the price increases seem to have been about two and a half times the increase justified by wage costs; and the petroleum industry (whose NRA code is now being administered by the Department of the Interior), in which the consumers' annual bill has apparently been increased five or six times as much as the increase in the industry's annual wage bill . . .

"Studies not brought fully up to date indicate that, in widely varying degrees, the following industries may also have failed to increase mass purchasing power: Furniture, bituminous coal mining, knit goods, rayon, men's shirts and collars, brick and tile, cement, paints, and varnish and glass."

The Board seriously urged reëxamination particularly of those codes which permit agreements as to price "among the members of the industry." Analyzing the first 180 codes, the Board found "open-price systems" in 81 of them. (These generally require the posting of prices quoted at a central agency, and permit competitors to meet them, thus resulting in numerous instances of uniform bidding.) Provisions against selling below cost were found in 125 out of the first 180 codes. Cost was variously defined in the codes. In 111 of the codes it was regarded as that obtaining in the individual plant or establishment. Provisions for the limitation of machine hours appeared in 24 of the first 180 codes and for allocation of production quotas in 3 of them. "Our experience . . . has led us to believe that price fixing is at best an extremely dubious remedy for the admitted ills of a number of these industries . . ."

The Brookings Institution published at a later date an analysis of the first 250 approved codes, written by George Terborgh, entitled *Price Control Devices in NRA Codes.* Mr. Terborgh said that NRA policy

regarding price control and price fixing had been wholly inconsistent. "A device was approved in some industries and denied to others of similar character." Mr. Terborgh stressed the great significance of the NRA codes. They may prove to be the first general modification of the anti-trust laws, although the NRA may not establish monopolies and nothing in the Recovery Act is to interfere with the powers of the Federal Trade Commission. Mr. Terborgh found that there were four main price-regulating devices, and some codes contained more than one of them. These were described as follows:

A. More than half the codes contained prohibitions against selling below cost of production. This was the most common price-regulating device. It might or might not be effective, as administered by the code authorities. There were many difficulties surrounding it, such as the old and inevitable one "What is the cost of production?" As before noted, numerous definitions were attempted.

B. Nearly half of the codes provided for "open-price" associations or some form of open-price system. This usually meant an obligation upon a member to file with the code authority the prices quoted or prevailing or revisions. By this system there was frequently a waiting period, before a quoted price went into effect. This was called the "period of intimidation," when competitors might use influence with one who wished to make a low quotation, to get him to withdraw the low bid and "fall into line." [It apparently resulted in much uniform bidding, but also in much evasion.]

C. A small number of codes permitted the fixing of minimum prices or the establishment of margins or mark-ups by the code authorities. The codes of four of the largest basic industries come in this cate-

gory. They were petroleum, bituminous coal, steel, and lumber. The practice was also permitted, for example, for cigar containers, fire extinguishers, and excelsior. These illustrations of industries show great variety, but it should be noted that this practice was not generally permitted by the NRA. The code authority usually decided upon the prices or margins to be permitted, with the NRA holding veto power, except that the petroleum code, as described in Chapter III, had a special administration in the Department of the Interior.

D. Limitation of production or productive capacity was permitted in a wide variety of industries. In twenty codes limitations were put upon the hours at which machinery might be used, and in another score of codes limitations were put upon the installation of new machinery.

In June, 1934, a new policy on "pricing" was announced, the result of much careful study and debate. It referred, however, not to codes already in effect, but only to possible revisions of old codes, and to new codes. Mrs. Rumsey said the aim was "to bring about revision of all of our codes to the point where business men will receive the minimum of protection essential to industrial stability without at the same time permitting their exposure to the temptation of price fixing." The new policy declared against all price fixing except in cases of real emergency, i.e., when price competition was plainly resulting in wage cutting and ruin. It declared in favor of certain open-price systems, but only those requiring the posting of prices with "a confidential disinterested agency" for distribution to those members of a trade or industry willing to pay for the service. It was aimed at the positive evils of open-price systems which had developed, including the waiting period

with its threats by competitors to make a low bidder raise his price to a uniform one, which all were offering. Efforts were also intensified to introduce uniform cost-finding and accounting procedures under the code authorities. The NRA began an experiment in price control for automobile tires, setting a minimum for an emergency period, but setting it so low that it was said not to be attractive for most producers, and permitting competition for service and quality. By the summer of 1934 there was much ferment in regard to price control. Trial and error seemed still to be the ruling policy.

Consumer Education

In the Autumn of 1933 the Consumers' Advisory Board of the NRA established a Bureau of Economic Education for Consumers, the first director of which was Paul H. Douglas of the University of Chicago. The chief work of the Bureau has been to organize consumers' county councils. Each council has consisted of five to seven persons and has represented rural and urban communities. The chief functions of these councils have been "to act as agencies for the consideration of consumers' complaints against undue price increases; to serve as channels for the dissemination of accurate information concerning the NRA and its effects upon consumers; to act as an agency through which consumers may become articulate on questions of national economic recovery; to aid in development of national economical and efficient distribution of goods to consumers; and to cooperate with the Federal Emergency Relief Administration and the Civil Works Administration to speed reëmployment by development of sound civic projects." In 1934 the organization of county councils of consumers was transferred to the National Emer-

gency Council (see Chapter VI), and they functioned for both the NRA and the AAA.

This is part of the effort to put consumers behind the NRA and AAA programs as well as to protect consumer interests. Consumers are expected to buy from those who are living up to NRA requirements. They are asked to pledge themselves to do this. The possession of the "Blue Eagle" by a business man is, however, the only guide that he is living up to requirements. In numerous garment trades each manufacturer who lives up to the code is privileged to sew an NRA label on garments. This gives the consumer assurance that the particular goods purchased are made under as good conditions as have been established by competing manufacturers. Mary Anderson, head of the Women's Bureau, United States Department of Labor, said that "at last the woman shopper has a purchasing guide. Today there is no reason why any woman should unknowingly wear a coat, suit or dress made under sweat-shop conditions. The little white satin label with the blue eagle, which is required by the Coat and Suit Authority to be sewed into every garment, is assurance to the purchaser that the clothes she buys are made under fair conditions."

The Committee on Consumer Standards of the Consumers' Advisory Board, after a study of the need for research and testing of commodities, has recommended that a Consumer Standards Board should be set up jointly by the Consumers' Advisory Board of the NRA and the Consumers' Counsel of the AAA. This board would be responsible to and financed by its creators and would take all necessary steps, including coöperating with agencies within and outside the federal government, for the development and promulgation of consumer standards.

To buy advantageously the consumer must be able to judge the quality of goods as well as price. No one can tell whether a price is reasonable unless the quality to which the price applies is known. Governments, business organizations, educational institutions, and other large buyers have found that millions of dollars can be saved by purchasing only after specifications based on tests are complied with. The ordinary consumer, however, cannot afford the expense of such procedures and needs the protection which only government agencies can give him.

Very little standardizing of quality in manufactured goods has been done. The consumer must not only be adequately informed on what he is buying but grades of goods must be named properly and he must understand that quality is often independent of price. Tests have shown in some cases that high-priced articles have proved to be of poorer quality than low-priced goods.

The Consumers' Advisory Board made the following declarations in a report on quality standards:

"Satisfactory consumer standards must be built upon analysis of commodities in their final forms in which they are purchased over-the-counter at retail; this analysis must be in terms of actual consumer use-conditions; and the standards must be presented in terms of specifications and grades determined in the light of such use-conditions and useable by non-technical purchasers at retail . . . If one were to compare the amount of standardization work in the field of producers' goods to the range of goods to be found in the catalog of a large mail order house it would seem that the work had hardly begun." But only a few codes provided for quality standards and accurate labeling.

Some Current Debates

The NRA was a battle of theories, Schuyler C. Wallace of Columbia University wrote in *Today*. In its councils were those who held the idea that consumer purchasing power must be spread — and quickly — at the expense of turning funds to investment. In its councils were also those who did not subscribe to that thesis.

The officers of Consumers' Research urged the establishment of a Department of the Consumer, headed by a Cabinet Officer, as the only adequate step leading to adequate protection of the consumer. In an open letter to President Roosevelt, F. J. Schlink, president of Consumers' Research, quoted General Johnson as saying in a speech: "Don't forget that nobody expects employers to pay the increased cost of reëmployment. That is not possible. The consumer — as always — pays the bill." The urban worker and the farmer were both being "gypped," said Mr. Schlink.

Leon Henderson, of the staff of the Russell Sage Foundation (who served temporarily as an assistant to General Johnson on consumer interests and was then appointed head of the Research and Planning Division of the NRA), said in an interview in *The New York Times,* after six weeks of observation of codemaking: "American industry under the NRA is slipping into a 'cartel' form of operation, in which the consumer, for the present at least, is being victimized."

By special Senate resolution, the Federal Trade Commission was asked to investigate price fixing under the oil and steel codes. It made a highly critical report on the steel industry. Purchasing agents of both state agencies and corporations complained of

uniform bids. A group of representative New Jersey farmers gave evidence of the receipt of obviously fixed prices on fertilizer. The practice proved to be somewhat of an embarrassment to the federal government itself. By law, certain government purchases must be made of the low bidder. If tie bids are received, collusion is suspected or alleged. In March, uniform bids were received for large specifications of paper by the government printing office. Yet under the code, members of the industry were permitted to learn the prices their competitors were quoting, under the "open-price" system.

Miss Mary W. Dewson, speaking as a representative of the National Consumers' League, alleged numerous evasions of codes, and certain types of racketeering by business houses in order to defeat the NRA. She said that "many industries had used the stretch-out or speed-up system to evade the code labor provisions, while other had classified even their $18-per-week workers as executives."

The Information Service of the Federal Council of Churches contained the following summary of much of the current discussion:

"Business men have been asked by the President to put as many people as possible to work, raise wages, and defer price increases as long as possible. It is expected that the added costs will be absorbed in the larger volume of business done, and business may obtain as great or greater profits as the result of a larger volume of business. The essential thing is that this business policy shall be applied universally. There is plenty of pent-up demand, and better distribution of income, with a greater amount of income flowing to the mass of workers, will provide the market which disappeared as the result of the depression.

"The main question of course is, How effectively will business men, operating under an unrestricted profit system, respond to this program? The problem is to make the best use of resources, productive equipment, and labor to provide as good or better conditions of living than those enjoyed prior to the depression. However, it is impossible to escape the fact that production and distribution are ordinarily carried on only when the opportunity or the hope for profit is present. Each business unit operates on this basis because it cannot do otherwise for long and escape bankruptcy. Logically the recovery program demands the operation of the whole economic system according to need."

The Consumer and the AAA

Less was heard of the AAA in consumers' circles, perhaps mainly because it was concerned more with producers' than consumers' prices, and the urban consumer seldom deals directly with a farmer in these days. The AAA is, as we saw in Chapter II, an instrument to increase farm prices, and to increase them relatively more than prices generally, in order to add to the purchasing power of farm products. Secretary Wallace has always contended for consumer protection, and provision was made for the establishment of a consumers' counsel in the AAA. Frederick C. Howe was appointed to the office.

The AAA functioned vigorously when the processing tax on wheat went into effect in 1933. It stated that consumers' prices on bread should be increased no more than about one and a half cents a pound. It gave publicity through the daily press to reports of disproportionate price increases, and its actions seemed to have had effect. The Consumers' Counsel started publishing a valuable bi-weekly bulletin "to

aid consumers in understanding changes in prices and costs of food and farm commodities and in making wise, economical purchases." Its issues have proven to be a mine of recent information on price trends.

Of great significance was the decision of the AAA in 1934, to confine price agreements in the dairy industry to those between producers and distributors. In doing so, the AAA abandoned numerous attempts in cities to fix dealers' margins and consumers' prices. At the very time when price fixing in milk distribution was upheld by the United States Supreme Court, the liberal wing of the AAA was apparently losing faith in this technique and was seeking strictly to limit its application.

Foods — Drugs — Cosmetics

There have been businesses which did not hesitate to promote the consumption of foods and drugs which undermined the health and vitality of the population. The desire for profit dominated all other considerations. Advertising in newspapers and over the radio furnished an avenue for deception and misrepresentation upon which there is little or no check. Women were induced to use cosmetics which injured their faces. Mothers fed their children impure foods and doped them with deleterious drugs. Newspapers and radio companies which derive income from such advertising have been close allies of those who oppose legislation in the interest of consumers.

Experience under the Food and Drugs Act of 1906 has shown that the consumer needs greater protection. The courts have interpreted the law in ways which undermine its effectiveness and nullify the regulations under it. Redefinition of what may be termed adulterated food is needed. Under the law,

manufacturers of drugs and medicines can make false statements in advertisements and over the radio which are not permitted on labels. The courts have prohibited the addition of poison in foods in quantities which may be harmful to health, but the government has to prove that it is harmful. Cases have arisen where patent medicines have cost the lives of consumers. Under such conditions obviously consumers need protection against their own ignorance.

Rexford G. Tugwell, Assistant Secretary of Agriculture, led the way in framing legislation to revise the Food and Drugs Act. A strong bill to remedy defects, and to secure some governmental control over advertising, was presented. But the measure was fought by a powerful lobby and by advertisers and newspapers. Hearings were held. By March 15 the bill had had its fourth "toning down," according to a headline in *The Herald Tribune*. It was later shelved. There was every evidence that the powerful lobby had much influence in Congress. Senators and representatives in large numbers dreaded tackling a subject about which newspapers felt so keenly.

The total effect of the Administration's work was not such as to give much satisfaction to those who labored either for consumer protection or for active consumer participation in the councils of the Nation. This was the case in spite of valiant work by individuals within the government circle. One of the best informed of these public servants — who soon thereafter severed his governmental connection — said in conversation that the New Deal had not yet meant a new deal for the consumer. In the new price policy of the NRA, in the beginning of the effort to require accurate labeling and quality standards, he saw only glimmers of hope that a new deal for consumers might be achieved.

CHAPTER IX

HOW FUNDAMENTAL ARE THE CHANGES MADE?

> We cannot succeed unless there is a revolutionary change in our point of view.—*Henry A. Wallace.*

"Can some one tell us what the New Deal really is?" a prominent educator asked in the summer of 1934. "Is it a series of effective devices to prolong the life of capitalism? Is it a drastic reorganization of capitalism? Is it evidence of the disintegration of capitalism? Is it something unique and American, steering a course which will avoid communism or fascism? Is it giving labor any new rights? Is it rescuing agriculture?" There was plainly a confusion of tongues when answers to such questions were forthcoming, and the discordant voices could not be explained on political grounds alone.

One observer wrote that the New Deal was being hailed as a means of recovery, and also being condemned as a fatal handicap to recovery; as providing long-needed guidance to our economic system, and as a case of muddling and jumbling; as a revolution which introduced social planning into industry, and as a temporary expedient which could not pass away too quickly. Let us therefore consider both fact and opinion which will throw light on the question of how fundamental are the changes which the New Deal is making in American life.

Was There Anything Really New?

One could hear it said in some quarters that there was nothing new about the New Deal. A New York

broker volunteered in private conversation that the New Deal had been begun by George Washington and continued by Abraham Lincoln, Theodore Roosevelt, and Woodrow Wilson. There were followers of Herbert Hoover who could find evidence that it was he who had begun many of the procedures which the Roosevelt administration was carrying on. There were those who pointed to the gradual development of federal legislation over the previous fifty years, and alleged that the New Deal simply built upon the foundations of an enlarging federal control. There were those who said that the "new" was largely illusory, and that no sharp breaks with the past had taken place.

Penetrating observations of a different nature and from other sources were also being made. President Roosevelt said in his message to Congress on January 3, 1934, that we were going through a "tremendous readjustment of our national life." Harold J. Laski wrote in *The Atlantic Monthly* for February, 1934:

"President Roosevelt is the first statesman in a great capitalistic society who has sought deliberately and systematically to use the power of the state to subordinate the primary assumptions of that society to certain vital social purposes. He is the first statesman deliberately to experiment on a wholesale scale with the limitation of the profit-making motive. He is the first statesman, again in a wholesale way, to attack not the secondary but the primary manifestations of the doctrine of *laissez faire*. He is the first statesman who, of his own volition, and without coercion, either direct or indirect, has placed in the hands of organized labor a weapon which, if it be used successfully, is bound to result in a vital readjustment of the relative bargaining power of capital

and labor. He is also the first statesman who, the taxing power apart, has sought to use the political authority of the state to compel over the whole area of economic effort, a significant readjustment of the national income."

In a significant book entitled *The Future Comes: A Study of the New Deal,* Charles A. Beard and George H. E. Smith said, after reviewing the recovery program: "If in these things clear novelty is not discernible, there is in them a sharpness and a weight of emphasis sufficient to make the New Deal signalize a break with the historic past and the coming of a future collectivist in character." They further generalized: The recovery program accepted combination in industry and made use of that combination in planning; it called upon millions of individuals both in industry and agriculture to coöperate in adjusting production and maintaining prices and standards, thus making possible economic education of adults on an unprecedented scale; it aimed to give agriculture equality in principle with industry; it called "for a changed conception of economy and life," and appeared to be making an attack upon excessive speculative elements; it made unemployment relief more adequate; it subjected banking and finance to new and powerful public controls.

If Beard and Laski thus read the evidence, there were many who could only conclude that there must be some things new about the New Deal.

Is It Temporary or Permanent?

Even though we had put our feet upon new paths, might it be that we would follow those paths for only a short time? Industrialists might be willing to plan while they were thoroughly scared — would they be so willing to give up their freedom of private enter-

prise when better times loomed on the horizon? Farmers might be willing to have broad-gauge collective action when wheat sold for forty cents a bushel — would they be capable of observing the same kind of social discipline when the Chicago market reports were revealing wheat at $1.10 a bushel?

It was a motley group which expressed itself publicly on these questions. There were those who wanted to get back as early as possible to the "good old days." But who were they who wished to return to those days? It appeared it was mainly those who were fortunate in the heyday of the pre-1929 era. Among farmers, industrial workers, and the professional classes generally there was no evidence of a widespread longing to return to those "good old days."

Yet there were distinguished observers who honestly believed that much of the New Deal would be only temporary. The experimental nature of much of the program made this inevitable, they thought. If we had an objective attitude toward the experiments, then certainly we would reject those found wanting. At one point Owen D. Young said: "One of the most difficult tasks of this Administration is to distinguish accurately between that superb loyalty of the American people in the support of their government in an emergency and their real conviction as to what is wise in a permanent program of reconstruction." By the summer of 1934 there had yet accumulated no body of opinion which definitely indicated what the attitude of the people would be. Perhaps they would give the first evidence in the congressional elections scheduled for the autumn of that year.

From Washington and elsewhere, however, came the voices of individuals who believed that much of

the New Deal was permanent and inevitable. For example, Gov. Wilbur L. Cross of Connecticut said in 1934 in an address at the University of California: "Federal control has become necessary in order to save business . . . The new cardinal maxim of economic society is control. Fierce competition in the industries, for instance, threatens to reduce business to chaos. The purpose of the codes is to restore order . . ." Harold L. Ickes, Secretary of the Interior, said in 1934 at the annual dinner of Survey Associates that the program of the New Deal was far-reaching and predicted still further advances. The ideals of the Administration were such, he said, that it would go still farther along the road of social pioneering. Much more needed to be done to assure the complete abolition of child labor and the sweat shop. Some sort of control over industry, such as the NRA was bringing, would be permanent.

Was It a Revolution?

The use of the term "revolution" in describing the events of 1932–34 provoked many a controversy, and some of those that ensued were accompanied by more heat than light. One could discover the greatest array of persons who were convinced that it was, or that it was not, a revolution. Louis M. Hacker, a young historian, thundered: "The New Deal is no revolution!" Morse A. Cartwright, executive director of the American Association for Adult Education, dismissed the term "revolution" as exaggeration. Nicholas Murray Butler said that we were passing through a revolution, but added that most of us did not recognize it as such. William F. Russell, Dean of Teachers College, said it might be that the children of the future, when they spoke of "the Revolution," would refer to the events of 1933 rather than to those

of 1776. The Dean added, however, that in the United States we do not customarily apply the term revolution to current events. We honor the daughters but fear the mothers of revolution.

Daniel C. Roper, Secretary of Commerce, said calmly that it was simply a question of a choice of words. He said once that the revolution was a "parliamentary" one. Norman Thomas seemed reluctantly to admit that he thought a revolution had occurred but called it a "qualified" one. Edwin R. A. Seligman observed at one time that we were passing through a social revolution. George Soule wrote: "I believe that, in one sense of the word, we are veritably in the midst — though nowhere near the end — of a great social revolution."

Mark Sullivan wrote almost daily for a time that the Administration was attempting to put over a revolution. His articles were intended to be warnings to the country against highly undesirable developments. But Donald R. Richberg, general counsel of the NRA, was telling groups of business men that an economic revolution had already occurred, and they must simply accept it as a fact. Both those who contended and those who denied that it was a revolution did so for a variety of reasons. There were those who denied there was a revolution because they dreaded drastic changes; while there were also those who called it a revolution because they really wished to see a series of deep changes wrought in American life.

David Lawrence wrote that President Roosevelt's message to Congress, delivered on January 3, 1934, was "the most radical document ever presented by a chief executive to the American Congress." President Roosevelt, in his new book *On Our Way,* took a rather skeptical attitude toward the controversy.

He referred to the fact that many had called his administration a revolution. He himself was convinced that new governmental methods were necessary to deal with revolutionary changes which had already come about in American life. He simply added: "If it is a revolution, it is a peaceful one, achieved without violence, without the overthrow of the purposes of established law and without the denial of just treatment to any individual or class."

Recovery vs. Reconstruction

There were those who made much of the fact that the program was a double one of recovery and reconstruction. Some controversy developed early as to whether the NRA, for example, was primarily an agency of reconstruction or of recovery. It was soon evident that there were certain groups in the community that were interested in their own brand of recovery rather than in reconstruction. They bellowed for "Recovery First." This was particularly true of those who thought we could return to "the good old days of 1929." But there were many socially minded individuals who warned against attempting to return to the days of 1929. They were not so much interested in that kind of recovery. They were convinced that recovery should be accompanied by a goodly dose of reform.

At one point Rexford G. Tugwell, Assistant Secretary of Agriculture, offered the following statement: "The general objective in the recovery program is clear and easily stated — to restore a workable exchangeability among the separate parts of our economic machine and to set it to functioning again; and beyond this to perfect arrangements which may prevent its future disorganization. This means that we must insure adequate income to the farmers, ade-

quate wages to the workers, an adequate return to useful capital, and an adequate remuneration to management. What we want, really, is to provide the opportunity for every individual and every group to work and to be able to consume the product of others' work. This involves a creation of buying power which is coördinate with the creation of goods. We shall not rest or be diverted to lesser things until that minimum is achieved."

There was considerable evidence that partial recovery was under way in the United States, as in many other countries. During the first five months of 1934 the indices of business showed considerable improvement over both 1932 and 1933. Some branches of industry had attained the 1931 levels. The index published by the Federal Reserve Board indicated that industrial production in May, 1934, was 87 per cent of the 1923–25 average, as compared with 72 per cent in November, 1933. The gains were admittedly uneven, if various industries or communities were compared, but unemployment had been reduced. There were published several estimates revealing about ten million industrial workers unemployed in July, 1934, as compared with about fourteen million in March, 1933. Wage payments in trade and industry were estimated to be at least at the rate of three billion dollars annually above the figures for 1933. The banking situation was on the surface much more stable than it had been for perhaps a decade, even though there were authorities who held that the banks were generally in a far from healthy condition. At least it might be said that only five banks which had been admitted to the Federal Deposit Insurance Corporation on January 1, 1934, were in difficulty by August, 1934.

How much reconstruction was under way was a

question much more difficult to answer. So experienced a student of public affairs as Walter Lippmann insisted that the NRA was primarily an agency of reconstruction rather than of recovery. From the NRA itself, however, the public statements usually pointed to evidence of recovery for which it was alleged that the NRA was at least partly responsible. Mr. Lippmann — and many others — thought that recovery had been largely due to monetary policies. So far as official statements went the Administration was still definitely committed to reconstruction. Toward the close of the 1934 Congress, President Roosevelt sent it a special message on social reconstruction. He said it was foolish to talk about recovery first and reconstruction afterward. He spoke about the need for decent housing, for moving farm population from arid lands, for old-age pensions, and unemployment insurance. He would submit recommendations to the New Congress.

It was patent that a rapid recovery would definitely interfere with reconstruction. If recovery proceeded at a moderate rate, the agencies of reconstruction would have their best opportunity to function.

Were Motives Changing?

Due largely to the vigorous statements of the Secretary of Agriculture, this was a question that came to public notice rather frequently. Mr. Wallace frankly said: "I know that the social machines set up by this Administration will break down unless they are inspired by men who in their hearts acknowledge a larger vision than the hard-driving profit motives of the past. Our people on the street and on the soil must change their attitude concerning the nature of man and the nature of human society. They must develop the capacity to envision a coöperative objec-

tive and be willing to pay the price to attain it. They must have the intelligence and the will power to turn down simple solutions appealing to the short-time selfish motives of a particular class."

The Executive Committee of the Federal Council of the Churches of Christ in America declared: "In the large, the recovery program calls for a new kind of ethical functioning on the part of various groups in the economic order. It calls upon business and industrial units to formulate codes of practice and to become responsible for their operation under public sanction and supervision. This involves the discovery of common interests among economic groups and the adoption of coöperative methods — important elements in the development of the social conscience. . . . We would also point out that the recovery program emphasizes the two reciprocal aspects of ethical living — social and individual. On the one hand, there is the necessity, made so apparent by the depression, of broad social planning for the welfare of the nation. This collective effort is clearly in line with the social teachings of the Christian gospel. The success of the recovery program will depend, in part, upon the adequacy of such social planning. On the other hand, its success will also largely depend upon its voluntary and unselfish acceptance by individuals — employers, investors, bankers, farmers, industrial workers, and consumers.

"Throughout the recovery program and the utterances of its sponsors runs a note of experimentation, of exploration in new political and economic fields. It is not to be supposed that a flawless program could be developed quickly in a time of great stress and anxiety. The churches will not feel called upon to endorse every detail, particularly the technical aspects of the many measures that have been promul-

gated. Concern is properly felt over any tendency to over-emphasize methods of social coercion and to foster unreasoning intolerance. But, whatever its inevitable weaknesses, the national recovery program implies the practicability of a more coöperative economic order, socially controlled for the common good, and a willingness to relinquish special privilege and power."

In that statement, however, the following paragraph appeared: "We do not suggest that the national recovery program embodies the full social ideal of Christianity, or that the success of the program would leave no desirable social goals unattained. The Christian conscience can be satisfied with nothing less than the complete substitution of motives of mutual helpfulness and goodwill for the motive of private gain, and the removal of the handicaps which our economic order now inflicts upon large numbers of our people, particularly in certain occupational and racial groups. But we would call the attention of the members of our churches to the fact that the recovery program aims a vigorous blow at some of the more grievous types of exploitation and injustice."

Ethical and religious leaders were far from unanimous in their attempts to appraise the New Deal. *The Social Questions Bulletin* of the Methodist Federation of Social Service contained an altogether different interpretation. It stated that the New Deal was in reality "state capitalism" and that "state capitalism and economic fascism are synonymous." The editors of the *Bulletin* believed that "the use of state power to bolster up the failing capitalist economy is the economic essence of fascism." They stated that the utterances of religious organizations in regard to the NRA recalled their declarations in support

of the World War. "Do they show the same unawareness of underlying causes and inevitable consequences? Will they be followed by corresponding disillusionment and repentance?" The most consistent criticism of the New Deal came from Socialists and Christian Socialists. They saw the goal of socialism as the collective ownership of all the means of production; they did not regard the New Deal as a step in this direction. To them the drive for private profit was continuing to flourish. President Roosevelt was still a capitalist.

From the Catholic scholars came frequently the thesis that the recovery program was good as far as it went, but these leaders continually pointed out that it fell far short of carrying out the full scope of Catholic social teaching. Among other religious leaders much the same comment was frequently heard. There were a few Protestants who saw the New Deal as "the social ideals in action," but for the most part they saw the New Deal as simply a first step toward the enactment of a small part of the Social Ideals of the Churches.

The Social Ideals adopted by the Federal Council of Churches on December 8, 1932, were as follows:

"The Churches Should Stand For:

1. Practical application of the Christian principle of social well-being to the acquisition and use of wealth, subordination of speculation and the profit motive to the creative and coöperative spirit.

2. Social planning and control of the credit and monetary systems and the economic processes for the common good.

3. The right of all to the opportunity for self-maintenance; a wider and fairer distribution of wealth; a living wage, as a minimum, and above this a just share for the worker in the product of industry and agriculture.

4. Safeguarding of all workers, urban and rural, against harmful conditions of labor and occupational injury and disease.

5. Social insurance against sickness, accident, want in old age, and unemployment.

6. Reduction of hours of labor as the general productivity of industry increases; release from employment at least one day in seven, with a shorter working week in prospect.

7. Such special regulation of the conditions of work of women as shall safeguard their welfare and that of the family and the community.

8. The right of employees and employers alike to organize for collective bargaining and social action; protection of both in the exercise of this right; the obligation of both to work for the public good; encouragement of coöperatives and other organizations among farmers and other groups.

9. Abolition of child labor; adequate provision for the protection, education, spiritual nurture, and wholesome recreation of every child.

10. Protection of the family by the single standard of purity; educational preparation for marriage, home-making, and parenthood.

11. Economic justice for the farmer in legislation, financing, transportation and the price of farm products as compared with the cost of machinery and other commodities which he must buy.

12. Extension of the primary cultural opportunities and social services now enjoyed by urban populations to the farm family.

13. Protection of the individual and society from the social, economic, and moral waste of any traffic in intoxicants and habit-forming drugs.

14. Application of the Christian principle of redemption to the treatment of offenders; reform of penal and correctional methods and institutions, and of criminal court procedure.

15. Justice, opportunity, and equal rights for all; mutual goodwill and coöperation among racial, economic, and religious groups.

16. Repudiation of war, drastic reduction of arma-

ments, participation in international agencies for the peaceable settlement of all controversies; the building of a coöperative world order.

17. Recognition and maintenance of the rights and responsibilities of free speech, free assembly, and a free press; the encouragement of free communication of mind with mind as essential to the discovery of truth.

One has only to refer to the declaration calling for "drastic reduction of armaments" to realize the wide gap between the government programs and a number of the declarations in the Social Ideals.

CHAPTER X

WHAT ABOUT THE CONSTITUTION?

> The Constitution was not designed to establish for all time any particular economic theory. . . . —*Oliver Wendell Holmes.*

In his address at Gettysburg on Memorial Day of 1934, President Roosevelt referred to "the broad and resilient provisions of the Constitution of the United States." The people had their eyes on the courts to a greater extent than for many years. How much planning was possible under the Constitution of the United States? How much of the new legislation would be sustained by the Supreme Court? Which laws were likely to be sustained as temporary or emergency only? How much of the New Deal was likely to be upheld as constitutional if an attempt were made to make the measures permanent?

In the Constitutions of the states and of the federal government, the people of the United States have endeavored to define and limit their government. The federal Constitution was adopted when the people were largely agricultural. It was ratified by a small group of colonies lying on the eastern seaboard. The colonies had a provincial outlook and were suspicious of one another. They had adopted articles of confederation at a time when there was necessity for common defense, but the articles proved by experience to be altogether inadequate. The Constitutional Convention was called ostensibly for the purpose of revising the articles of confederation. However, certain of the leaders had plans to forge an entirely new instrument. The Constitutional Con-

vention met and made public no record of its proceedings. Not until the publication of Madison's *Journal* many years later was any authentic information about the issues and deliberations made public. It has even been held that the method of adopting the Constitution was itself "unconstitutional," because the articles of confederation provided that they could not be changed without the consent of all the states in the confederation. But the Constitution as adopted by the Philadelphia Convention became effective when ratified by eleven of the thirteen states. The other two ratified some time later.

Our federal government has commonly been called one of delegated and limited powers. It has been said it can exercise only such powers expressly granted to it by the Constitution. Powers not delegated to the federal government are reserved to the states and to the people. But very early in our history the Supreme Court began rendering opinions on the constitutionality of the acts of the legislatures of the states and of the Congress of the United States. And John Marshall, a pronounced Federalist, when Chief Justice of the Supreme Court, held that Congress had implied as well as expressed powers, and that Congress had discretionary power to choose the means to carry out its tasks.

We will consider here only those provisions of the Constitution which are the subject of current controversy. These concern, as a matter of fact, a few very brief passages of the document. Those who allege that the new measures will or should eventually be held to be constitutional refer to the express grant of power to Congress "to regulate commerce with foreign nations, and among the several states." They also point to the fact that one of the main purposes of the Constitution is to "promote the general wel-

fare," and allege that the Constitution provided for compulsion of individuals and groups in order to carry out this purpose. They also refer to the "doctrine of emergency" or "the law of necessity." Self-preservation, they allege, is the primary law. Rights of property and contract are not absolute.

Those alleging that the New Deal is largely unconstitutional refer to the provision forbidding any state to pass a "law impairing the obligation of contracts." They also make much of the "due process" clauses found in both the Fifth and the Fourteenth Amendments to the Constitution. In the Fifth Amendment the exact words are "no person shall . . . be deprived of life, liberty, or property, without due process of law. . . " There are legal authorities who contend that the main legal controversies of the New Deal will center around contracts and due process of law. Other contentions are current, however. It is being alleged that the New Deal provides for too great an extension of the powers of the federal government over business; that it is a violation of guarantees of individual rights; that it makes an unduly great delegation of powers to the executive department (it is stated on high legal authority, however, that no delegating by Congress of power to the executive has ever been declared constitutional); that Congress has transferred legislative power to the executive, permitting in effect "flexible law making" by means of codes and agreements; that there has been created a government of men rather than of laws.

Liberal vs. Strict Construction

All along we have had both among the laity and the legal profession, the liberal and the strict constructionists so far as the Constitution has been concerned. The strict constructionists have been prone

to say that Congress had only expressed and no implied powers; that the provisions of the eighteenth century document must be literally applied in practically all situations. An example of the ideas of strict constructionists was the opinion of a minority of the Supreme Court of the State of Washington which recently held in a case to test the constitutionality of a relief measure: ". . . Only as a last resort, if even then, can the Constitution be destroyed to serve humanitarian ends." The liberal constructionists have been inclined to favor new interpretations in changing situations or in view of the development of new interests among the people; they have even held that the living Constitution is only that part of the document which the people at any time or place choose to observe or to obey. An instance of a liberal opinion is one from Justice Benjamin N. Cardozo, when a member of the Court of Appeals of New York, in a case challenging an act of the legislature, which compelled ten per cent of the cattle owners in any local governmental unit to test their cattle whenever ninety per cent agreed to it. Justice Cardozo wrote an opinion declaring: "Small use would there be in stimulating the many within a township to a care of the public health, if one or a few wiseacres or obstructionists could make the labor vain. More and more, in its social engineering, the law is looking to coöperative effort by those within an industry as a force for social good. It is harnessing the power that is latent within groups as it is harnessing the power in wind and fall and stream."

An illuminating discussion of the issue was furnished by Charles A. Beard in an article published by *Today*. Dr. Beard contrasted the public statements and actions of President Van Buren in the depression of 1837 with those of President Roosevelt

in 1933. When things seemed to have gone to pieces following a drastic deflation, Van Buren delivered to Congress a message conveying his judgment of the situation. He solemnly declared in effect that the Constitution of the United States granted him no powers to do anything. It did not authorize any central banking system. To people hungry and starving Mr. Van Buren said their troubles were largely due to their own excesses; they should now work out of the hole as best they could. The federal government had neither responsibilities nor power. Franklin Roosevelt, Dr. Beard pointed out, is, like Martin Van Buren, a Democrat, but added: "Something has happened to the Constitution and government of the United States and the doctrines of those clothed with authority in Washington."

We are again in the midst of a debate between strict and liberal constructionists of the Constitution. A few illustrations may suffice to indicate the nature of it. A. A. Berle, Jr., a lawyer who has been an adviser of the President, says that the theory of the National Recovery Act is largely based on the dissenting opinion written by Justice Louis D. Brandeis on March 21, 1932, in the case of New State Ice Co., *vs.* Ernest A. Leibmann, popularly known as the Oklahoma Ice Case. It involved the right of the state to license ice dealers, and was declared unconstitutional by the Supreme Court of the United States. Justice Brandeis said:

"The people of the United States are now concerned with an emergency more serious than war. . . . Business men are seeking possible remedies. Most of them realize that failure to distribute widely the profits of industry has been a prime cause of our present plight. But rightly or wrongly, many persons think that one of the major contributing causes

has been unbridled competition. . . Many insist there must be some form of economic control. . .

"Some people assert that our present plight is due, in part, to the limitations set by courts upon experimentation in the fields of social and economic science; and to the discouragement to which proposals for betterment there have been subjected otherwise. There must be power in the states and the Nation to remold, through experimentation, our economic practices and institutions to meet changing social and economic needs. I cannot believe that the framers of the Fourteenth Amendment, or the states which ratified it, intended to deprive us of the power to correct the evils of technological unemployment and excess productive capacity which have attended progress in the useful arts.

"To stay experimentation in things social and economic is a grave responsibility. Denial of the right to experiment may be fraught with serious consequences to the Nation. . . This Court has the power to prevent an experiment. We may strike down the statute which embodies it on the ground that, in our opinion, the measure is arbitrary, capricious, or unreasonable. We have power to do this, because the due process clause has been held by the Court applicable to matters of substantive law as well as to matters of procedure. But in the exercise of this high power, we must be ever on our guard, lest we erect our prejudices into legal principles. If we would guide by the light of reason, we must let our minds be bold."

Mr. Berle goes on to say that the lawyers who have advised the Administration have believed that "the dissenting minority of the Supreme Court had a clearer conception of the true possibilities of the Constitution than did the majority of the Court itself.

In fact, of course, the conversation turns on the view which lawyers, and eventually the law, will take on the economic necessities of the time. . . If the Constitution be taken as preëminently a charter of government under which as its first maxim there must be adequate power to do what is necessary to keep a government afloat, and the exigencies require economic readjustment, then the Constitution must be assumed to have flexibility sufficient to permit this readjustment.

"The issue may well simmer down to whether the judgment of the courts of the United States, the executive arm of the United States and, in fact though not in form, the apparent opinion of the great majority of the United States, considers essential this economic readjustment; or whether the nine old men of the Supreme Court are entitled to form their own opinion about it and to upset a movement of national scope solely on that opinion."

James M. Beck, who acted and wrote as though he had a copyright on the Constitution, was perhaps the most alarmed among those who made comments. He thought the New Deal was simply accelerating the process of killing the Constitution which had been going on for fifty years. If present trends continued, he believed, we would soon see the end of the Constitution. He was mostly concerned about the changed spirit of the people — he thought a majority did not care whether the Constitution was destroyed or not. He believed that the new governmental agencies constituted a "montrous tyranny." He even held that the Supreme Court was serving as an inadequate defender of the Constitution and called its decisions on the Minnesota mortgage moratorium and the New York State Milk Control law (to be described later) as unfortunate. John W.

Davis said: "I am not aware of any provision in our fundamental laws that gives any power whatever to limit the right of any man to carry on the business of farming to any extent he chooses, unless indeed in time of actual war."

But Dean Charles E. Clark, of the Yale Law School, was of the opinion that the legislation of the New Deal would be upheld by the courts. He said that "the paramount right of public necessity" provided justification for legislation which limited the rights and liberties of individuals. Donald R. Richberg, general counsel of the NRA, spoke frequently upon this subject. He said it was necessary to have "new agencies of human coöperation," in order to "meet the new economic conditions. . . This profound experiment in political science was not begun without recognition of its difficulties and its dangers. It is plain that we must begin a long, slow process of trial and error." Daniel C. Roper, Secretary of Commerce, reminded the public that both Washington and Franklin had regarded the Constitution as "frankly experimental in nature," and, "so did President Roosevelt assert unhesitatingly that the recovery program by its very nature was experimental in many phases and aspects." Homer S. Cummings, Attorney General of the United States, declared that "the constitutional difficulties inherent in the recent legislation are grossly magnified. Our fundamental law is faced with no unusual stress or strain. To my mind the law is not a mere body of precedents. It is not, and should not be, the unloved ruler of reluctant people. It should serve to cement and not to strain the bonds of affection that exist between the people and the government they have erected."

Quite a variety of opinions were coming from the lower courts. They were generally sustaining the

AAA and the NRA, and a few unfavorable opinions were being rapidly appealed. The Supreme Court rendered two decisions which involved some of the issues likely to be reviewed when national legislation was tested. We will discuss these briefly.

Minnesota Mortgages

In Minneapolis, John Blaisdell and his wife Rosella, living in a big frame house painted brown, have been called "the New Dred Scotts." John Blaisdell is a policeman who has lived in that house for sixteen years. In 1933 a building and loan association began action to foreclose the mortgage on his property. But the state of Minnesota had enacted a mortgage moratorium for a period of two years, and the case went rapidly to the Supreme Court of the United States.

The consequent decision of the Supreme Court on the Minnesota Mortgage Moratorium Law (Home Building and Loan Association, Appellant, *vs.* John H. Blaisdell and Rosella Blaisdell, his wife, rendered January 8, 1934) was regarded as one of the most important in recent times. In fact, the dissenting opinion, rendered by Justice Sutherland and concurred in by Justices Van Devanter, McReynolds, and Butler, declared that "few questions of greater moment than that just decided have been submitted for judicial inquiry during this generation. He simply closes his eyes to the necessary implications of the decision who fails to see in it the potentiality of future gradual but ever-advancing encroachments upon the sanctity of private and public contracts."

The issue was whether the State of Minnesota could use its public welfare powers in the present emergency through authorized judicial proceedings to relieve debtors with respect to foreclosures of

mortgages, postponement of execution sales, and extension of periods of redemption without running counter to Article I, section 10 of the Constitution, prohibiting states from passing any law impairing the obligation of contracts. The due process and equal protection clauses of the Fourteenth Amendment were also supposed to apply to the case.

The Act was to remain in effect "only during the continuance of the emergency and in no event beyond May 1, 1935," and authorized the District Court of each county to extend the period of redemption from foreclosure sales "for such additional time as the court may deem just and equitable." After determining the reasonable rental value of the property, the court could direct the mortgagor "to pay all or a reasonable part of such income or rental value, in or toward the payment of taxes, insurance interest, mortgage . . . indebtedness at such times and in such manner" as determined by the court. Chief Justice Hughes delivered the opinion of the court.

The majority pointed out that the prohibition in the contract clause of the federal Constitution "is not an absolute one and is not to be read with literal exactness like a mathematical formula"; and "where constitutional grants and limitations of power are set forth in general clauses, which afford a broad outline, the process of construction is essential to fill in the details."

After citing many cases in support of its position that the states possess authority to safeguard the vital interests of their people and that "the economic interests of the state may justify the exercise of its continuing and dominant protective power notwithstanding interference with contracts," the majority declared "that there has been a growing appreciation of public needs and of the necessity of finding ground for a ra-

tional compromise between individual rights and public welfare. The settlement and consequent contraction of the public domain, the pressure of a constantly increasing density of population, the interrelation of the activities of our people and the complexity of our economic interests, have inevitably led to an increased use of the organization of society in order to protect the very bases of individual opportunity. Where, in earlier days, it was thought that only the concerns of individuals or of classes were involved, and that those of the state itself were touched only remotely, it has later been found that the fundamental interests of the state are directly affected; and that the question is no longer merely that of one party to a contract as against another, but of the use of reasonable means to safeguard the economic structure upon which the good of all depends."

The majority concluded that an emergency existed in Minnesota which urgently demanded relief and that it was a "proper occasion for the exercise of the reserved power of the state to protect the vital interests of the community," and that "the conditions under which the period of redemption is extended do not appear to be unreasonable." Under these circumstances, they pointed out, the statute did not violate the contract clause and the due process clause nor did it deny to the association the equal protection of the law.

The dissenting justices found many cases to support their position that "the effect of the Minnesota legislation, though serious enough in itself, is of trivial significance compared with the far more serious and dangerous inroads upon the limitations of the Constitution which are almost certain to ensue as a consequence naturally following any step beyond the boundaries fixed by that instrument." In short

the issue between the majority and minority was one of strict *versus* liberal construction of the Constitution in relation to changing conditions. Incidentally, the quotation by the dissenting justices shows that the same difference of opinion existed among framers of the Constitution.

The clause prohibiting the impairment of contracts was included in the Constitution as a definite protection of creditors against actions by states for the relief of debtors. Therefore the minority insisted that the clause means the same thing now as it meant then no matter how much the states desire to use their "power to mitigate hard consequences resulting to debtors from financial or economic exigencies" because "individual distress . . . should be alleviated only by industry and frugality, not by relaxation of law or by a sacrifice of the rights of others." The question whether industry and frugality by debtors during an economic crisis will be adequate to meet their needs is, in the minds of strict constructionists, beside the point because "conditions which produced the rule may not now be invoked to destroy it." Furthermore, "if the provisions of the Constitution be not upheld when they pinch as well as when they comfort, they may as well be abandoned."

The minority admitted that some of the framers of the Constitution were "apprehensive of any proposal which took from the respective states the power to give their debtor citizens 'a moment's indulgence, however necessary . . . ' " They were also aware of the fact that decisions of the Supreme Court have met with such disfavor among debtors that mass meetings have advocated that these decisions should not be heeded. Furthermore, joint resolutions have been introduced in Congress proposing a constitutional amendment which would prohibit the Supreme

Court from declaring federal and state laws unconstitutional. Even with the mob at their door, however, the rigid constructionists insist that "one of the glories of the judiciary" has been its requirement of the "strict performance of contracts."

New York's Milk

The decision of the United States Supreme Court in the case of Leo Nebbia *vs.* People of the State of New York, handed down on March 5, 1934, was also one of great significance. It was another five to four decision.

Early in 1933 there was a serious strike among dairymen in the region of Rochester, N. Y. This was one of a series of strikes among milk producers in various parts of the United States. The strike, which was due to disastrously low farm prices for fluid milk, was marked by a good deal of violence. In all the major milk sheds consumers' prices for milk had been steadily declining during the depression. Distributors' costs held fairly steady and farmers were called upon to absorb most of the cuts in prices. The situation reached the breaking point in the winter of 1932–33.

Shortly thereafter the legislature of the State of New York, by an act effective April 10, 1933, established the Milk Control Board with powers to "regulate the entire milk industry of New York State, including the production, transportation, manufacture, storage, distribution, delivery, and sale." The law was to be in effect for one year and was known as an emergency measure. The Milk Control Board was given power to "fix by official order the minimum wholesale and retail prices," and it might also "fix by official order the maximum wholesale and retail prices to be charged for milk handled within the

State." Soon thereafter the State of New Jersey established a Milk Control Board, and eight other states have established boards with varying powers.

On April 17, 1933, the New York Board fixed a *minimum* price of nine cents a quart for retail stores. On April 18, Leo Nebbia, the owner of a grocery store in Rochester, N. Y., sold two quarts of milk and a five-cent loaf of bread for eighteen cents. He was convicted of violating the order of the Milk Control Board and fined five dollars. The case was carried to the Court of Appeals, the highest court in the State of New York, which sustained the decision, and was then taken on appeal to the Supreme Court of the United States.

The majority opinion, sustaining the Court of Appeals, was delivered by Justice Roberts and was supported by Chief Justice Hughes and Justices Brandeis, Stone, and Cardozo. The principal question to be decided was whether the state, even in an emergency, has the right to fix prices. After calling attention to the fact that "neither property rights nor contract rights are absolute" and after citing decisions of the United States Supreme Court that defined the police power of the states under which they exercise sovereignty in the interest of public welfare, the court pointed out that the due process clause of the Fourteenth Amendment has often been invoked in vain to thwart legislation designed to curtail property rights and protect public interest. Furthermore, "the guarantee of due process, as has often been held, demands only that the law shall not be unreasonable, arbitrary, or capricious, and that the means selected shall have a real and substantial relation to the object sought to be attained." It was also pointed out that "legislation concerning sales of goods, and incidentally affecting prices, has repeatedly been held valid.

In this class fall laws forbidding unfair competition by the charging of lower prices in one locality than those exacted in another, by giving trade inducements to purchasers, and by other forms of price discrimination."

Further, the court declared: "Times without number we have said that the legislature is primarily the judge of the necessity of such an enactment, that every possible presumption is in favor of its validity, and that, though the court may hold views inconsistent with the wisdom of the law, it may not be annulled unless palpably in excess of the legislative power." Finally, "price control, like any other form of regulation, is unconstitutional only if arbitrary, discriminatory, or demonstrably irrelevant to the policy the legislature is free to adopt, and hence an unnecessary and unwarranted interference with individual liberty."

The minority opinion, delivered by Mr. Justice McReynolds and concurred in by Justices Van Devanter, Sutherland, and Butler, cited cases in support of the position that "the principles of constitutional liberty would be in peril unless established by irrepealable law" and that "no doctrine, involving more pernicious consequences, was ever invented by the will of man than that any of its provisions can be suspended during any of the great exigencies of government. Such a doctrine leads directly to anarchy or despotism."

Furthermore, "the XIV Amendment wholly disempowered the several states to 'deprive any person of life, liberty, or property, without due process of law,' " and "if now liberty or property may be struck down because of difficult circumstances, we must expect that hereafter every right must yield to the voice

of an impatient majority when stirred by distressful exigency . . .

"Certain fundamentals have been set beyond experimentation; the Constitution has released them from control by the state. Again and again this court has so declared." Many cases were cited to support this position.

A Court Searching Its Soul

In a comprehensive article published in *The Independent Journal* of Columbia University, November 15, 1933, Dean Howard Lee McBain contrasts the task of the nine judges of our present Supreme Court with that of the early interpreters of the Constitution. He points out that the authors of the Federalist Papers, for example, said very little about "due process of law," but this issue looms large today. The Supreme Court has consistently frowned upon governmental price fixing, but the legislatures and Congress have recently authorized price fixing. The founders of the nation said very little about the interstate commerce clause but now, writes Dean McBain, "much of the present emergency legislation rests primarily if not exclusively upon the power of Congress to regulate interstate and foreign commerce." The Supreme Court declared unconstitutional a law prohibiting interstate commerce of products made by child labor, but the NRA plunges in and adopts codes which practically abolish child labor within a few months. The Supreme Court has permitted an extension of the federal power to regulate the railroads even to the extent of controlling their intrastate rates, on the thesis that these "affect" interstate commerce. It will be interesting to note to what extent the federal power may be exercised over other

intrastate business that may "affect" interstate commerce. The Supreme Court has declared that Congress may not delegate any part of its legislative functions to the President and yet "in the recent legislation the President is invested with enormous powers some of which appear to be nearly legislative in character."

Are the new processing taxes actually taxes for a "public purpose"? Dean McBain concludes: "It may be that the questionable doctrine of emergency will save both the day for the New Deal and the face of the Court itself. If the new structure proves successful, it will be almost unthinkable that the Supreme Court should strike the props from under it because of established rules, doctrines, and interpretations that are largely of its own making. But since the Court does not enjoy reversing itself it is probably in for a very unhappy and soul-searching experience."

Is the Constitution Obsolete?

There were many, and perhaps their number was growing, to whom this discussion did not appeal at all. They regarded the Constitution as obsolete. There were those who felt that it soon would be or should be a museum piece. We were in a period of rapid change. We were destined to be "children of transition." The Constitution did not provide for adapting the government to rapidly changing conditions.

There are two ways whereby the Constitution may be changed. By a two-thirds vote of Congress amendments may be submitted to the states for action either by their legislatures or by special state conventions. Or, two-thirds of the state legislatures may ask Congress to call a national constitutional convention

which would then propose changes. Ratification of proposed changes can then be carried out either by action of three-fourths of the state legislatures or by specially called constitutional conventions. The second method has never been used. It would require a powerful public opinion within the states and considerable local discussion and action to bring it about. Yet there are lay leaders and political scientists who are of the opinion that only by means of a national constitutional convention can the Constitution be re-written so as to make it really serviceable for modern times. Drastic revision of the Constitution is commonly proposed by those who are critical of it. Some of these propose that frequent revisions should be mandatory. They believe that the methods of amending the Constitution should be made much more flexible.

CHAPTER XI

IS BROAD SOCIAL PLANNING A NECESSITY?

Deliberate direction has to be introduced.
—*Walter Lippmann.*

It is necessary that "some agency of society do whatever planning is necessary to prevent the suicide of society," said Secretary Wallace at Nebraska City in 1934. But there was in 1934 a rising tide of opposition to the whole idea of comprehensive planning for the long pull. Here was one of the real issues arising out of the New Deal. And it was perhaps a hopeful sign that a lusty discussion of it began in 1934.

Not without considerable confusion, however, was the public discussion carried on. There was confusion galore over the use of terms. In certain quarters the mere mention of "collectivism" brought on the jitters, because there were those who thought there was only one form of collectivism in the world, and that was the brand of communism found in Russia. As a matter of fact, most of the new measures were "collective" in their nature, if one used the term in a broad and not an exclusive sense. Again, it was thought that "planned economy" was synonymous with "regimentation" as found in Italy or Russia. But the cry of regimentation was largely the smoke screen of those small business men, farmers, and large industrialists who were trying to ward off public control. Planning by business was not new. Comprehensive planning under public control was new, however, and it was bitter medicine for many people.

A second reason for confusion was the fact that

all of the planning in which we were engaged was of the crudest sort. Every one of the new government organizations was marked by at least some loose ends and frequently for helter-skelter activity. Every plan that had been put into effect was one that had to be set up in a short time. Was not a certain amount of confusion inevitable? How could it have been otherwise? One reviewer called President Roosevelt's new book *On Our Way* a description of "brilliant improvisation." To which some one retorted that we might perhaps be thankful that some of the improvisation had been brilliant. An effort was being made by the Administration to show how temporary some of the devices were. Secretary Wallace frequently warned the cotton belt that it was living in a fool's paradise if it thought it could hold the benefits of a temporary program without engaging in long-time planning. He reminded the South that the rise in the price of cotton in 1933–34 as compared with 1931–32 had been affected to some extent by currency depreciation. It was time to face reality and get on a permanent basis. Of the great drought of 1934, he said that it illustrated once more the need for long-time planning. Within the NRA many groups were "getting into huddles" to plan the continuation of the NRA beyond June 16, 1935. This must be submitted to Congress early in 1935. It seemed a foregone conclusion that some form of industrial planning would go on. It also seemed probable that the NRA would be considerably changed.

President Roosevelt, in an extemporaneous speech delivered in 1934 before a group of government workers interested in subsistence homesteads, ridiculed the idea of "thirty-day panaceas," and made an appeal for a continuation of the idea of national planning. Experimentation was still necessary, he

also said. Speaking to the Federal Council of the Churches of Christ in America in December, 1933, he stated his conviction that the government and the religious bodies were "at one in calling for collective effort on broad lines of social planning – a collective effort which is usually in accord with the social teachings of Christianity."

But there were powerful leaders going up and down the land endeavoring to persuade the public that "planned economy" was undesirable in the United States. The alleged necessity of some form of planning thus became a subject of public debate. Some of the most interesting questions related to the debate were: What was the public reaction to social planning? Is middle-of-the-road planning possible? Is some degree of planning absolutely necessary if we are to enter the promised land of plenty, justly shared? What is the price of planning?

The Public's Reaction to Planning

The status of public opinion was perhaps more difficult to assess than usual. There was some evidence that the President's personal popularity was carrying the program. Certainly he personally was stronger than any one agency. Among a people who loved action it was frequently heard that he was trying things and trying hard. One person said that people were swearing at his agencies but devoted to the President. A reporter went in to a mining town and received the following in answer to his questions about the NRA and the President. "NRA? Not so swell. Roosevelt? O.K." There was undoubtedly much opposition to the NRA in the farming regions, based upon the very practical consideration that the NRA had increased the costs of distribution both of supplies which farmers buy and of products which they sell.

But many farmers remained loyal to the President personally because of the AAA program. They felt he was sincerely pushing it and standing behind it. He personally held his farmer-labor constituency fairly well. He still had finesse in reconciling the rural and urban interests. It was perhaps of some significance that in June, 1934, he wrote a letter to the publishers of *Jefferson and Hamilton,* written by Claude G. Bowers, as follows: "It would be a supreme contribution to current thought if the simple historic facts of this book could be learned in the newspaper editorial rooms as well as in the homes and schools of America." We at least had a President who understood thoroughly the differences between Jefferson and Hamilton, and who was also grappling with a conciliation of the important modern interests represented by their names.

The Commission on the Social Studies in the Schools of the American Historical Association furnished a clue to the status of public opinion when it held in 1934 that we were living in a period of "transition marked by numerous and severe tensions rising out of the conflict between the actual trend toward an integrated economy and society on the one side and the traditional practices, dispositions, ideas, and institutional arrangements inherited from the passing age of individualism on the other." The Commission was of the opinion that these tensions would continue "until some approximate adjustment is made between social thought, social practice, and economic realities, or until society, exhausted by the conflict and at the end of its spiritual and inventive resources, sinks back into a more primitive economy and life." (Findings of the Commission will be discussed again later in this chapter.)

Paul Mallon, one of the country's ablest Washing-

ton correspondents, said that "America seethes and blows off steam." He observed a great amount of public discussion of the New Deal and he believed that "talk is the great safety valve of democracy." One of the most popular indices of the status of the New Deal in public opinion was the straw vote of *The Literary Digest.* This revealed that the public was voting three to two in favor of the New Deal; that President Roosevelt had apparently gained the support of more persons who voted for President Hoover in 1932 than he was losing among those who had voted for him in that year; and that the President was receiving a proportion of the total vote somewhat in excess of the proportion which he received in the 1932 election. From the commencement orators and speakers at public gatherings there was, as usual, a wide array of ideas. Dr. Raymond C. Knox, Chaplain of Columbia University, said in his baccalaureate sermon: "We are living in a time when a deliberate reordering and planning of society . . . is imperatively necessary. . . Such planning is demanded of us not as a theory, but because of a condition that confronts us, and a difficult, distressing condition it is." At the National Conference of Social Work, Mgr. Robert F. Keegan, executive director of the Catholic Charities of New York, said there must be a new economic structure based on social justice. *The World Tomorrow* presented much evidence that the Protestant ministers and Jewish rabbis were moving to the left. Presenting the replies of over twenty thousand clergymen, they reported that only 5 per cent favored the rugged individualism of capitalism such as obtained prior to 1929. Fifty-one per cent of those replying favored a drastically reformed capitalism. *The World Tomorrow* also announced that there was a higher pro-

portion of socialists among these clergymen than among any other vocation in the United States. The same journal believed that there was a definite trend toward the acceptance of the ideas of collectivism among the people of the United States. The New York Conference of the Methodist Episcopal Church was the body which moved furthest to the left, so far as public statements were concerned. The majority of this body, consisting of over three hundred Methodist ministers, adopted a program which at least approached socialism. *The World Tomorrow* reported that only 3 per cent out of the fifty-five hundred Methodist ministers replying to its questionnaire favored a continuation of capitalism.

The Russell Sage Foundation published in 1934 a report by Mary Van Kleeck, director of its Department of Industrial Studies, saying that "socialization, or the collective ownership and operation of all natural resources as part of a planned economy, is the only solution for the break-down of the coal industry in this country." The publication was described as the most radical document ever published by an American foundation. The Socialist Party at its 1934 convention moved definitely to the left. The Department of Superintendence of the National Education Association called upon President Roosevelt to create a special council for a national socio-economic plan. Senator Bronson Cutting, Republican of New Mexico, declared that private banking of the United States was doomed and that nationalization was desirable.

The emergence of radical thought among educators and social workers caused numerous controversies in these groups. At the National Conference of Social Work there was definitely a left wing group, dissatisfied with the extent of reconstruction pro-

posed by speakers who represented agencies of the New Deal. Plainly, the liberals were disturbed. The radicals were making inroads among them.

But there was prevalent a large body of opinion of an altogether different nature. *The Commonweal,* an influential Catholic weekly, observed editorially in 1934 that powerful influences were at work for the purpose of "sabotaging the New Deal and going back to the good old days." It was evident that not only Republicans were in favor of such an effort. Conservative influences among Democratic leaders were much in evidence. Senator Harry F. Byrd, Democrat of Virginia, vigorously opposed any increase of the powers of the Agricultural Adjustment Administration, protesting against further "regimentation." One of the nation's best-known manufacturers said in 1934, after attending a meeting in which a dozen prominent industrial leaders participated, that the conservative industrialists were still full of fears about the New Deal, and were ready to fight extensions of public control. *The New York Herald Tribune* ran an editorial presenting the thesis that it would be a good plan "to end planned economy." Virgil Jordan, president of the National Industrial Conference Board, said in 1934: "I regard what has occurred in the United States during the past year as perhaps the greatest catastrophe in the history of civilization and certainly the most profound that has happened to us in America."

Is Middle-of-the-Road Planning Possible?

One of the nation's most prominent literary men, seated in the cool and quiet of his summer home in New England, made the following observation:

"The planning carried on by the New Deal is halfway stuff. It will perhaps work for a little while, as

long as the country is scared, but soon it will be opposed by those at the right and those at the left. Public confusion will be the result. If you want to plan you must go hard to the right or hard to the left, in other words, to fascism or to communism. You must do this because in order to plan you must have the power to kill off the enemies of planning."

Harold J. Laski believed that "President Roosevelt, in effect, challenged American capitalism to coöperate with him in transforming itself into a social experiment." But it was not clear that the leaders of capitalism were giving the voluntary coöperation necessary to insure even a modicum of success for the New Deal.

Were democratic governments capable of planning? Could we inaugurate economic planning and still preserve political democracy? Harry Emerson Fosdick put it thus in a sermon: "To keep the essential meaning of personal freedom and coöperative government and still discover a way to a planned economy that will meet the demands of a new machine age — that is a task which the world more and more lays upon the doorsill of this nation." Rabbi Barnett R. Brickman of Cleveland, said in a sermon that reconstruction in this country would go on with the preservation of the essentials of democracy and that we would be able to steer a middle course somewhere between fascism and communism. He believed that "everywhere men are trying to rebuild society in the belief that an intelligent control of resources should be exercised for the common good." From London, Harold Callender, writing in *The New York Times,* raised the question whether democracy could meet the test of the economic crisis that had been developing. He believed that political democracy was certainly in danger and that the

United States was one of the few nations to which those who believed in democracy "must look for its rescue."

Official spokesmen of the NRA and the AAA and other agencies continually presented the thesis in favor of a middle course. Some control had to be established of necessity. There were great values in an experimental approach. We could do something unique and American — engage in national planning and preserve democracy at the same time.

The Commission on the Social Studies in the Schools sponsored by the American Historical Association believed that "the age of individualism and *laissez faire* in economy and government is closing and that a new age of collectivism is emerging." It is by no means clear, said the Commission, what the forms of that collectivism are likely to be in the United States. "Most likely it will issue from a process of experimentation and will represent a composite of historic doctrines and social conceptions yet to appear. Almost certainly it will involve a larger measure of compulsory as well as voluntary coöperation of citizens in the conduct of the complex national economy, with corresponding enlargement of the functions of the government, and an increasing state intervention in fundamental branches of economy previously left to individual discussion and initiative — a state of intervention that in some instances may be direct and mandatory and in others indirect and facilitative." Although the Commission recognized the necessity of curbing individualism in economy, it believed it highly desirable to use every means "to ward off the dangers of goose-step regimentation in ideas, culture, and invention, of sacrificing individuality, of neglecting the precious elements in the traditional heritage of America and the World,

and of fostering a narrow intolerant nationalism, or an aggressive predatory imperialism." The report of the Columbia University Commission on Economic Change, under the chairmanship of Robert M. MacIver, likewise believed that some degree of planning was essential. It emphasized the value of the experimental approach. It would rather have trial and error than recourse to extreme measures.

Walter Lippmann in his new book, *The Method of Freedom,* made a plea for holding to the middle ground. The world was being rapidly forced into collectivism, but collectivism tended to destroy both individual freedom and democracy. He believed that Anglo-Saxon experience could evolve what he called "free collectivism" or "compensated economy" as distinguished from the "absolute collectivism" of communism or fascism. He believed modifications in democratic procedure inevitable, however, in a planned society. The executive would necessarily have to have great power over the budget, for example.

Can We Have Plenty Without Social Planning?

It was being said on all sides that we had come out of a season of scarcity into one of plenty and hunger side by side. Before us lay the land of abundance. The really great purpose of human effort was to enter that land of plenty, justly shared. If we really would, we might enter it. But could we enter without a considerable degree of broad social planning? Would we have to wander in a wilderness for forty years, because we would not really grapple with our problems, would not have the social discipline to enter the promised land?

Said Secretary Wallace: "Because we have not learned how to live with abundance, men go hungry

and ragged." On another occasion he wrote: "In all civilized lands today we stand appalled by the tragic nonsense of misery and want in the midst of tremendous world stocks of essential goods. Science has given us control over nature far beyond the wildest imaginings of our grandfathers. But unfortunately those attitudes, religious and economic, which produced such keen scientists and aggressive business men the civilized world over, make it impossible for us to live with the balanced abundance which now would be ours if we were willing to accept it with clean, understanding hearts."

Charles A. Beard was saying that the great concentration of American industry had made some form of collectivism "inexorable" but at one time went on to warn that "the stubborn heritage of American civilization must be kept in mind. Planning cannot ignore the human elements in the situation — the traditions of personal liberty (though often violated), the inventiveness and experimenting spirit of individuals, long-continued institutions of local government, ways of living, standards of life, and easy-going democracy of customs. It must conserve the dynamics of enterprise which has been so marked in the conquest of this continent."

Stuart Chase and many others continued to call attention to the fact that we had not yet dealt with our fundamental problems. We had not yet begun to get social control over the machine. We had not yet grappled with the social problems brought about by technological advancement. Sooner or later, because of the consequences of technical advance, we would be forced to plan in a more drastic fashion than we had in 1933–1934. Dr. Willard Thorp wrote in a review of the year 1933, published by the United States Department of Commerce as a part

of a world economic survey: "It must be frankly recognized that the ultimate goal of balanced economic relationships is still in the future. Experience has shown competition and the price system to be insufficient to preserve the balance." John Maynard Keynes, the noted British economist, said in an address in connection with Columbia University's Commencement: "The older generation of living Americans accomplished a great task of solving the problem of how to produce abundantly. But a not less difficult task remains — to discover how to distribute to the poor and needy the fruits of this potential abundance."

If the devices of the New Deal proved to be ineffective, Professor Calvin B. Hoover of Duke University declared "it is almost inevitable that we shall go still further toward a directed economy and still further away from *laissez faire*." He emphasized the fact that there were degrees in directed economy. "If the problem of the consumer-purchasing power could be solved, it is possible that an evolutionary development of our economic institutions would enable us to retain political democracy." There were, however, those who felt that the "if" in the last sentence was a big one.

David Cushman Coyle, who continually made pleas for more systematic planning, nevertheless believed that "national detailed control of all industry in this country is undesirable and impracticable. . . . We may achieve the necessary control over big business while leaving the majority of our activities free." There were economists who urged that we might well plan the production, distribution, and credit necessary for the provision for the necessities of life, thus leaving "the desirables of better living to free competition."

What Is the Price of Planning?

But there was no getting away from the simple fact that planning meant giving up some of the traditional liberty enjoyed by the typical citizen of the United States. It meant the establishment of more centralized controls than many of the founders had ever dreamt of. It also meant plainly some changes in the values of the people. David Cushman Coyle wrote: "The American people are forced to making profound readjustments in . . . their thinking."

Raymond Moley wrote in an editorial in *Today* that we must build up a definition of fair profits "through the laborious process of trial and error." He also believed that the true meaning of the term "public interest" must be taught much more vigorously throughout the government and among the citizens. Furthermore, he urged better and more numerous forums for the expression of public opinion.

High taxation seemed inevitable and promised to bring numerous drastic readjustments for many American institutions. There was much evidence that the era of large surplus incomes for individuals was over. Dixon Ryan Fox, newly elected president of Union College, for example, believed that the private colleges of the United States face a dark future because of the heavy taxes being levied on higher incomes. The wealthy would soon be taxed so heavily they could no longer contribute to colleges.

George S. Counts of Teachers College, Columbia University, believed that "the system of private capitalism, of an economy administered for private gain, has been shown to be bankrupt. The teachers of the country are under obligation to inform the rising

generation of this fact." But any new social order should be tested primarily by "its moral insights," and by "its ability to deal realistically with the economic necessities," stated Grace Coyle to the National Convention of the Young Women's Christian Associations. Miss Coyle believed that there would be "a great struggle for power" and that "unless we are to lapse into riot some new vision must be created to explain our behavior, to govern its courses, to channel the egotism and the idealism of men. . . We have got to deal in America with the problem of distribution of wealth which will keep the wheels of industry turning, with the problem of the control of our national resources and basic industries, with the persistent questions of unemployment and low standards of living of the majority of our population, and, most basically of all, with the question of who is to control our economic life and in whose interest."

Secretary Wallace hammered away at the necessity of changed human values. "Enduring social transformation such as our New Deal seeks is impossible of realization without changed human hearts. The classical economists, most orthodox scientists, and the majority of practical business men question whether human nature can be changed. I think it can be changed, because it has been changed many times in the past."

CHAPTER XII

WHAT VALUE EXPERIMENTATION?

> There are seasons in human affairs of inward and outward revolution, when new depths seem to be broken up in the soul, when new wants are unfolded in multitudes, and a new and undefined good is thirsted for. There are periods when the principles of experience need to be modified, when hope and trust and instinct claim a share with prudence in the guidance of affairs, when, in truth, *to dare* is the highest wisdom.—*William Ellery Channing.*

In 1932 Governor Roosevelt, as a Presidential candidate, said: "The country needs and, unless I mistake its temper, the country demands bold, persistent experimentation." At the Yale Commencement in 1934, he spoke about educators "willing to experiment — thank God!" But a group of Episcopal laymen who were canvassed in 1934 by a questionnaire replied in large majority to the effect that experimentation should now cease — we had had enough of it! Wherever bankers, or at least bankers residing in the cities of the North-East, assembled, the cry was heard: "The country can now recover better if we stop experimenting."

Apparently the dose of experimentation had been a pretty heavy one for the country. Administration leaders did not seem to speak of experimentation with the same zest, or as frequently, as they did in early 1933. Yet they were still vigorously defending the values of a certain degree of it. President Roose-

velt had probably again dignified and made popular a term which had recently been widely condemned when used to describe Prohibition as "an experiment noble in purpose." The extent of the willingness of people to experiment was regarded by some observers as one of the truly revolutionary happenings of the years 1933–34. We have not been without experimentation as a nation, but certainly we have had little on a national scale since the first administration of Woodrow Wilson. Can you imagine Calvin Coolidge consenting to an experiment with the currency? Let us therefore consider a few matters which may throw light on the question — Of what value is experimentation as a national policy?

Is Experimentation Really a Good Policy?

What was the value of going on with an experimental policy? Wide-spread social experimentation was new. And social experiments are often both costly and dangerous. Few people are wholly experimental in their attitudes toward life. Most people do not seek good things experimentally — they find and hold on, sometimes desperately, to things they believe good. There are many who willingly enter experimentation in some realms of activity, let us say in mechanics or the natural sciences, but who resolutely set their faces against it in others, such as sex or religion. Most of us must be dogmatic about some parts of our experience. There are probably many more people in the world who feel they must have a dogmatic religion, for example, than those who must not.

On this point, a noted educator who held pronounced views on individualism was asked for his opinion of the New Deal. His confident reply was: "I am a young man past seventy years. I have changed

my mind. I believe we had to have experimentation in government, for the welfare of the country. I am for it!"

Walter Lippmann wrote: "There are, I know, some who object to the idea of experimenting with the solution of great problems. But their complaint on this score should be addressed to the universe to which man belongs, which has, and always has had, the unfortunate character of confronting men with problems, and of not being finished, perfect or stable. . . We have to carry on the business of modern civilization, a business which is necessarily vast and complex, and beyond human capacity. We have to attempt many things for which we are not really competent in the kind of world we live in."

Flexible planning was not only best, but it was what we were really being forced to do, said Rexford G. Tugwell: "If you conceive a plan as a kind of a blueprint — that is, laying out for years ahead everything which must be done, and to which all the political economy of the future must be made to conform because we have laid out a plan — I do not believe in it at all. President Roosevelt has spoken about the untrod paths which we are following at present; and he and others in the Administration have spoken about experiment in this connection. But my conception is that we move from thing to thing because we have to move; and that we assess the qualities of each program which we undertake by and in itself and not with reference to any plan which has been laid down in advance."

. Would the People Discuss the Experiments?

Charles A. Beard was of the opinion that the New Deal made possible economic adult education on a

scale such as had never been possible before. C. F. Hughes wrote under "The Merchant's Point of View" in *The New York Times:* "There is . . . a crying need for a thoroughgoing educational campaign."

How could the people select intelligently from among the experiments under way? Would they really discuss experiments while they were in process? Might this become one of the unique and American contributions to economic planning? And would they go on discussing, thus continuing to be experimental? Would they go on discussing if recovery came, or would they lapse back into their previous lethargy? Would they go on thinking even though they were not scared? Or would the American scene soon become a battle of right-wing and left-wing crusaders, both opposed to experimentation, both having the only true way and wanting to impose it on their fellows?

We had been shot out of the era of scarcity into one of potential plenty, or balanced abundance. And yet our ways of acting and thinking were for the most part carry-overs from the age of scarcity. We had for the most part been taught to work hard, except on Sunday, to save money, to take care of our own future, and to mind our own affairs. We were still to a great extent repeating the old maxims in a situation where they did not apply. Thus we were in a time of painful tension and transition. John Dewey once observed in this connection: "The entrenched and stubborn institutions of the past stand in the way of our thinking scientifically about human relations and social issues. Our mental habits in these respects are dominated by institutions of family, state, church, and business that were formed long before

men had an effective technique of inquiry and validation."

Only by two ways could we work out modifications of economic structure and procedure: (1) By imposition of new rules and methods, or of an entirely new system; or (2) by trying out new steps experimentally, and discussing them frankly. Those who advocated the second held that discussion and experimentation were not only for the purpose of an exchange of ideas — they were also ways of changing minds.

Secretary Wallace was the outstanding administration advocate of widespread public discussion. In *America Must Choose* he asked for discussions not only in Congress, but "in public forums, in city and country schoolhouse meetings in every state. . . I have faith that we can arouse from the ranks of our democracy, in city and country alike, a leadership that will address itself to fundamentals, and not simply blow off in the empty and prejudiced emotional bombast which has characterized such discussions in the past. . . Our thinking on such matters must rise above immediate and personal considerations, and above meaningless local bickerings, or our future is likely to be a dismal repetition of our past. . . I want to see the whole question examined by our people in a new spirit." The Agricultural Adjustment Administration encouraged the use of Secretary Wallace's *America Must Choose* and was also making plans for a thorough public discussion program.

The NRA, after publishing not one comprehensive document for a full year, brought out in 1934 a little booklet entitled *What Is the NRA? A Guide for Study and Discussion,* and circulated it widely. The NRA was willing to "commend its program for dis-

cussion by the American people. . ." The foreword to the booklet ran as follows:

"This guide has been compiled as a means of assisting the discussion of the aims, methods, and accomplishments of the National Recovery Administration. It may be used either by individuals for their own information or by adult classes already organized for study. The NRA is itself a forum for the consideration of a variety of points of view. It works largely by means of conferences, consultations, and hearings. Out of these deliberations come ways and means of coöperative action. The NRA is thus a process which uses democratic methods. It provides the means whereby men and groups of men can devise fair rules for the conduct of business. It further sets up machinery whereby the rules may be revised from time to time. The guide presents a brief interpretation of what the NRA is and also gives hints and suggestions of methods for organizing study groups and forums and other useful data. Inquiries for further information will be welcomed. The values of the great efforts undertaken by the NRA can be fully and fairly tested only by wholehearted participation on the part of the people."

The Guide presented first an interpretation of the NRA under the following sections: Why Do We Have the NRA? The Aims of the NRA. How the NRA Does Its Work. Making Codes of Fair Competition. Provisions of Codes. Consumers and the NRA. Labor and the NRA. The President's Reemployment Agreement. The Work of Compliance. Reports of Progress. Problems Emerging. Then followed Suggestions for Community Forums on the NRA, and an Outline for Adult Study Groups, the text of Title One of the National Industrial Recovery Act, a limited bibliography, a list of offices of the

state directors of the National Emergency Council, pages for notes, and a summary.

Here were to be seen at least the beginnings of efforts by government agencies themselves to encourage informed public discussion. And numerous voluntary groups were publishing materials and getting under way. Were we about to find other methods than elections and campaign oratory to express ourselves on public policy?

Where Would Experimentation Take Us?

Here was a question which was sincerely and anxiously asked by a great many among us. Mark Sullivan in 1933 made a tearful plea that the President should at once reveal where he was taking the country, that the country had a right to know, and that the President had an obligation to make the revelation. But an educator said vehemently that the question of the end was not important in so serious a crisis as gripped the country in 1933–34. He said the trouble with some of our Presidents — and some of our crusading friends — had been that they were always sure of the end, and of the way the road led. He welcomed the President's pragmatism, and said Mr. Roosevelt was a better pragmatist than many of our philosophers of that school. He said that if we could hold our experimental attitude long enough, we would not be so much concerned about where we were going. These two opinions illustrate what sharply contrasted views were held.

Such questions as — Where was the President taking the country? Why didn't he reveal the road ahead? Had the President really chosen the road ahead? Should the President reveal the road, even if he had chosen it? Or was it better to remain the

quarterback among a team of administrators, trying this play and that? Was a new political alignment possible? Would the President start a new political party combining the Progressive Republicans and the liberal Democrats? — could not be answered with any assurance, or with much information.

There were five main possibilities, said Norman Thomas, in *The Choice Before Us.* He saw "mankind at the crossroads," and held up the great purpose of shared abundance, the coöperative commonwealth which would mean "the end of the long night of exploitation, poverty, and war, and the dawn of a day of beauty and peace, freedom, and fellowship." He argued that the rise of fascism required urgent consideration in the United States. "The spirit of fascism is contagious among nations. . . . In some form an avowed fascist nucleus exists in almost every land. In most of them some form of it seems likely because it is the best hope for the prolongation of capitalism. . . . But in the spread of fascism there is no hope of peace through the agreement of those who share an economic belief. By its very nature it must be divisive, not unifying and make for war, not peace." Mr. Thomas closed the work — a plea for socialism — with a discussion of the five possible roads before us. One led back to the older capitalism; another to the extension and stabilization of the Roosevelt New Deal; another to catastrophe as a result of economic break-down or a world war; another to some form of fascism; another to some form of socialism.

E. C. Lindeman wrote: "Ours, for good or ill, is a relative world in which nothing remains definitely true for long. It is a mutable world which, apparrently, is not finished. And, as far as human affairs go, it is a world which tends to become increasingly

dynamic." And Charles A. Beard held: "There is no rest for mankind, no final solution of eternal contradictions. Such is the design of the universe. The recognition of this fact is the beginning of wisdom — and of statesmanship."

PART III

HOW TO CONTINUE DISCUSSION

A. A Discussion Syllabus

The following syllabus aims to provide a general guide for classes, groups, or clubs which wish to conduct discussions of the experiments in economic planning. It is expected that the leader will use as much of it as he finds useful, and that he will supplement it, out of his own experience and that of his group, particularly out of the peculiar situation in the community where it is used. The syllabus provides outlines of a series of questions in which there is likely to be public interest, and in regard to which many people will want to be developing their opinions. Under each discussion we have given references to pages in this book where relevant data may be found, and also to the numbered references in the bibliography. Again, for the guidance of the leader and members of the group, conflicting points of view which are current are very briefly summarized. Under "Things to Do" in each discussion, are listed a few informal suggestions for preparation and reports. Finally, several questions for group discussion are given under each head.

Each discussion should provide for the following:

1. Opportunity for members of the group to comment out of their own experience and knowledge.

2. Some analysis of the issues that develop. Here, if possible, some well-informed person may become a "resource," bringing in expert opinion, and assisting the leader in guiding the analysis.

3. Consideration of practical steps which members of the group themselves may take.

Leaders who wish guidance on the management of discussions are referred to *Creative Discussion* (3rd edition), by A. D. Sheffield, Association Press. $.50.

The consultation of current sources will be of great

importance to any group wishing to consider the New Deal in action. Reports of the new governmental agencies (*see* list on page 209) may be secured directly from their headquarters in Washington. Information may also be secured from state directors of the National Emergency Council (*see* list of state offices on page 210). Every leader must keep in touch with local and national newspapers for the day-by-day news. For interpretations of current developments the periodicals should be consulted. Most libraries will have available *The Readers' Guide to Periodical Literature,* which may be referred to for references. Among the periodicals interpreting and digesting news about the New Deal are:

The United States News (formerly *The United States Daily*), Washington, Weekly, $.10 a copy. A record of activities of the United States Government.

Today, New York. Weekly, $.10 a copy. An interpreter of public issues, with support of the New Deal.

Time, New York. Weekly, $.15 a copy. Current news interestingly presented.

The Business Week, New York. Weekly, $.20 a copy. Discussions of developments in the business world.

The New Republic, New York. Weekly, $.15 a copy. A journal of opinion which has been largely critical of Administration programs.

The Nation, New York. Weekly, $.15 a copy. Variety of comment and data, mainly critical of the New Deal.

Information Service of the Federal Council of Churches, New York. Weekly except July and August. $.05 a copy. Digests and interpretations of current data on industrial and agricultural questions.

The Literary Digest, New York. Weekly, $.10 a copy. A source for summaries of newspaper opinion.

Current History, New York, Monthly, $.25 a copy. A month-by-month record of the world's history.

Common Sense, New York. Monthly, $.15 a copy. A journal advocating a new political alignment of farmers and workers.

The Christian Century, Chicago. Weekly, $.15 a copy. An undenominational journal of opinion, carrying many social data.

The New Outlook, New York. Monthly, $.25 a copy. Variety of articles on public affairs.

Harper's, New York. Monthly, $.40 a copy. Vigorous articles on public questions from a liberal point of view.

Review of Reviews, New York. Monthly, $.25 a copy. Appraisals of and comments on current events and problems.

Scholastic, Pittsburgh, Pa. Weekly, during academic year. $1.50 a year. Interpretations and outlines of current problems.

The Congregational Digest, Washington. $.50 a copy. The "pro and con" monthly — digests opinions for and against important proposals.

The Survey, New York. Semi-monthly. $.25 a copy. A magazine of social interpretation and exploration.

Labor, Washington. Weekly, $.05 a copy. The weekly newspaper of a group of railroad labor organizations.

The New Leader, New York. Weekly, $.05 a copy. A socialist journal.

The Student Outlook, New York. Monthly, $.10 a copy. Discussions of current affairs, carried on by the League for Industrial Democracy.

American Federationist, Washington. Monthly, $.25 a copy. Organ of the American Federation of Labor.

The American Guardian, Oklahoma City. Weekly, $.05 a copy. A farmer-labor paper.

Textile Notes and *Mining Notes.* Labor Research Association, New York. Monthly, $.50 a year *each.* Current data by a communist research group.

Social Questions Bulletin, New York, monthly, $.05 a copy. Social data from the Methodist Federation for Social Service.

The New Masses, New York. Weekly, $.10 a copy. A communist journal of public affairs.

Church and Society, New York. Monthly, $.05 a copy. Outlines and data on critical current questions, published by the Departments of Social Relations of the Congregational Education Society, the American Unitarian Association, and the Universalist General Convention.

The Woman's Press, New York. Monthly, $.25 a copy. Journal of the National Board of the Y. W. C. A.

Rural America, New York. Monthly, $.20 a copy. A journal of rural affairs.

The Manchester Guardian Weekly. $3.00 a year from 220 W. 42nd St., N. Y. Represents English liberal opinion.

Discussion 1. How Effective Are the NRA Codes?

A. See pages 27–50; see the Bibliography, pages 212–21, and consult numbers: 1, 2, 9, 10, 11.

B. Things to Do.

Interview labor leaders, employers, social workers, editors of newspapers, and ministers, for their opinions as to the effectiveness of the codes.

Write to the National Recovery Administration, Washington, D. C., for copies of codes of the main indus-

tries in your community. Have several members volunteer to make brief reports of their main provisions when you meet.

Clip local newspapers for items on developments of particular codes important to the community.

Write to the NRA, Washington, D.C., for copies of recent addresses by the Administrator, interpreting the development of the program.

Write to the NRA requesting that it supply enough copies of their booklet *What Is The NRA? A Guide for Study and Discussion* for every member of your group.

C. Conflicting Points of View.

"The NRA is a great coöperative enterprise of government and industry, achieving greater security and stability, fair methods of competition, abolition of child labor—in short, wide recovery and reconstruction under public guidance."

"The nation's business would have recovered without the NRA. That of other nations is also recovering. It is doubtful if the NRA has been a help for recovery, and it introduces few reforms. It is hard to say whether it has helped or not."

"The NRA is a handicap to recovery. We should have gone ahead faster without it, because employers would have had more freedom of action. Let us leave reform to the voluntary efforts of business men, encouraging them to set up self-government themselves."

D. Questions for Group Discussion.

1. Why was the NRA thought necessary early in 1933?
2. What are the main steps in code-making?
3. What changes has the NRA made in our community—what new rules of doing business, what by way of recovery?
4. What are the main advantages and disadvantages of the NRA methods of industrial planning?
5. How might observance and enforcement of NRA codes be improved in our community?
6. What revisions of the NRA methods of introducing industrial recovery would you suggest?

(Later discussions will again refer to the NRA to some extent.)

Discussion 2. Are Public Works Priming the Pump?

A. See pages 48–50; see the Bibliography, pages 212–21, and consult Numbers: 1, 3, 18, 93, 98.

B. Things to Do

Gather information about a project of public work in your town or city. Report how it was financed and what results are apparent.

Inquire if any industry in your community is supplying goods for public works in other areas, and is thus receiving benefits.

Write to the Public Works Administration, Washington, D. C., for the latest information on the national public works program.

C. Conflicting Points of View

"A large public works program is *essential* to recovery because it calls for heavy expenditures of basic materials and spreads employment and purchasing power."

"A large public works program is *desirable* if it can be successfully worked, if political influence can be minimized, and if it can be speeded up sufficiently to have effect."

"A large public works program is not desirable because there has been no *advance planning,* it takes too much time to inaugurate projects involving architecture and condemnation of land, and it adds too much to the public debt."

D. Questions for Group Discussion.

1. In what ways has our community been helped, directly or indirectly by public works programs?
2. Is the national public works program going for major social needs? (Compare roads and cruisers with schoolhouses and homes.)
3. How would you allocate the public works funds of the future?
4. What are the advantages and limitations of a national public works program? Draw up a balance sheet.

Discussion 3. Has the NRA Been a Challenge to Labor?

A. See pages 40–44; see the Bibliography, pages 212–21, and consult Numbers 8, 9, 13, 14, 83, 87.

B. Things to Do

Write to the American Federation of Labor, Washington, D. C., for data on the membership of trade unions for 1934 as compared with 1932.

Write to the National Industrial Conference Board, New York, for information on the extent of employee-representation plans in 1934 as compared with 1932.

Interview labor leaders and representative citizens for their opinion as to what the NRA has meant for labor.

Clip or study labor papers and digest their views on the NRA.

C. Conflicting Points of View

"The NRA is a Magna Charta of labor, 'a new charter of rights long sought and hitherto denied.' It has given organized labor the biggest boost it has ever had."

"The NRA has on the surface promised labor too much, and now cannot fulfil the promises. Labor had just as much legal right to bargain collectively before the NRA as it has now."

"The NRA is dominated by employers. Labor has only a voice and a secondary position throughout. There are so many loopholes in the law that labor is getting little new power."

D. Questions for Discussion

1. What evidences are there in our community, or in others near by, that the work of children under sixteen has been reduced?

2. What evidences have we of recent eliminations of sweatshop conditions and the maintenance of better working conditions?

3. In what ways have trade unions or company unions been encouraged in our community by the NRA?

4. What industrial disputes have occurred in our community? What were the issues? What were the settlements?

5. What are the main gains for industrial workers under the NRA?

6. What changes should be made in the NRA in the interests of the industrial worker?

Discussion 4. How Should Agricultural Planning Be Carried On?

A. See pages 12–26; see the Bibliography, pages 212–21, and consult Numbers: 19, 20, 21, 22.

B. Things to Do

Write to the Agricultural Adjustment Administration, Washington, D. C., for comprehensive data on the AAA program.

Interview farmers, asking their opinion of the AAA.

Invite farmers or officers of farm organizations to this discussion (if it is held in an urban community).

Study or clip farm journals to learn their views.

Write to the Department of Agriculture for copies of recent addresses by the Secretary of Agriculture on the farm relief program, and have one or more members make brief reports on them.

C. Conflicting Points of View

"The AAA gives farmers of the nation their first opportunity to control production, and relate it to effective demand, to manage their industry effectively, and to bring some degree of statesmanship in place of chaotic conditions."

"The AAA is a doubtful enterprise. Possibly it has not helped either agriculture or the consumer. Farm prices are following much the same trend as in previous business cycles."

"The AAA is a handicap. It interferes with the farmer's freedom to do as he pleases. As long as people are hungry we should let farmers produce to their hearts' content, no matter how low farm prices go."

D. Questions for Discussion

1. How have the new farm relief laws affected farmers in your locality? What evidences of coöperation are there? What evidences of opposition on the part of farmers?

2. What do consumers of farm products generally think of the AAA?

3. What changes would you suggest in the AAA program?

4. Do city people ever benefit when wheat sells for $1.00 a bushel instead of 40 cents? How?

5. What common interests do farmers and city dwellers have in improving purchasing power in both city and country? How could they work together for tax reform, good schools for all children, etc.?

6. What do members of the group think could be done to reduce the costs of food distribution?

7. How much opinion is there in the group in favor of having the state take over the distribution of the basic food supply?

Discussion 5. Must We Reflate or Repudiate?

A. See pages 51–69; see the Bibliography, pages 212–21, and consult Numbers: 28, 31, 32, 34, 39, 41.

B. Things to Do

Make reports on recent reading or listening to radio speeches on the question of "reflation."

Interview leading citizens, asking their opinion of the present monetary policy, with reference to revaluing the dollar, purchasing silver, etc.

Clip newspapers, gathering data on why people oppose the present monetary policy and why people favor it.

Compare the writings of Father Charles E. Coughlin of Detroit and Professor Edwin W. Kemmerer of Princeton University on reflation.

Contrast the views of one who holds mainly stocks with those of one who holds mainly bonds in the present monetary controversy.

C. Conflicting Points of View

"Reflation is necessary as a matter of social justice to bring about a fairer relation between debtors and creditors; furthermore, many inflations in various countries have been controlled and ours may be; reflation becomes a policy which benefits the whole community."

"Our problems are not primarily monetary. The reflationists put the cart before the horse. Let us concentrate on building confidence. Reëmployment and good

production are the first essentials of recovery. Reflation does nothing fundamental; it falls like rain, on the just and the unjust."

"Reflation is a very dangerous undertaking. If uncontrolled it would, for example, wipe out all bonded indebtedness, and absolutely ruin many institutions and individuals. Let us therefore stop all experiments with the currency before it is too late."

D. Questions for Discussion

1. In what ways were producers and debtors in or near your community affected by falling prices of commodities?
2. Which have been assisted by rising prices?
3. What groups in or near your community have been most in favor of reflation? Why?
4. What groups in or near your community have been most opposed to reflation? Why?
5. What opinion is there in your group or your community in regard to writing down indebtedness, as over against devices for raising prices? Why do you think this is, or is not, a practical measure?
6. What practices do you think will do the most to bring fair relations between creditors and debtors?

Discussion 6. How May Debtors Be Refinanced?

A. See pages 24–25, 91–95; see the Bibliography on pages 212–21, and consult Numbers: 2, 38, 39.

B. Things to Do

Write to the Farm Credit Administration, Washington, D. C., for its circular on how farmers are being financed.

Write to the Home Owners' Loan Corporation, Washington, and the Federal Housing Authority, Washington, for literature describing their services and programs.

Clip your local papers for news about developments in your community.

Inquire of an officer of a building and loan association for information as to how extensive the FCA, HOLC, and FHA programs have been in your vicinity.

C. Conflicting Points of View

"The federal refinancing programs have met an emergency and relieved many debtors in distress. They

demonstrated how the great community, acting through the federal government, can help home owners and farmers in a sound way."

"The refinancing programs are not far-reaching. They are simply patchwork and do nothing fundamental about the financing of farms and homes. These problems are far from being solved."

"Debtors should take care of themselves, and should not be granted any governmental assistance. When people 'hire the money,' they should pay it back, and not ask for public help. We never had public enterprise in these realms and we do not want it now."

D. Questions for Discussion

1. What local agencies, if any, have coöperated with the FCA, HOLC and FHA programs? How?
2. What kind of debtors have been helped?
3. What kind of debtors have not been helped? Why?
4. What groups can apparently not be assisted? Why?
5. What illustrations are available of adjustment of debt or of lowering of interest rates in the refinancing process?
6. What opinion is there in the group of making the financing of farms and homes a wholly public enterprise?

Discussion 7. Are Consumers Remembered or Forgotten?

A. See pages 121–35; see the Bibliography on pages 212–21, and consult Numbers: 42, 43, 44, 45, 48.

B. Things to Do

Write to the Consumers' Counsel, Agricultural Adjustment Administration, Washington, and to the Consumers' Advisory Board, National Recovery Administration, for information as to their activities.

Write to Consumers' Research, Washington, New Jersey, for information about its activities, and opinion as to the adequacy of the federal programs.

Write to the Coöperative League in the U. S. A., 167 West 12th Street, New York, N. Y., for literature on the Consumers' Coöperative Movement.

Write to the National Consumers' League, New York, for information as to its program.

Inquire what consumers are doing in an organized way in your community about the new federal programs.

C. Conflicting Points of View

"The present programs in the interest of the consumer are new departures for the federal government and have already secured results in a short time. They should be welcomed, encouraged, and strengthened."

"The programs are hopelessly inadequate. We need a Department of the Consumer as well as a changed attitude in Washington, which will give the consumer whole-hearted, not half-hearted, attention."

"Consumers have managed to get along without these protective agencies before the New Deal, and they can manage again. Let us leave consumer education to the advertiser. Competition in advertising will serve the consumer best."

D. Questions for Discussion

1. What data and opinion are there in the group or in your community on the way consumers have fared under the New Deal?
2. What organizations in your community best represent the consumers' interests? How?
3. How many members of Consumers' Research do you know and what do they think about it?
4. What are the best ways for consumers to organize and protect their rights?
5. What can members of this group do tomorrow or next week?

Discussion 8. Should Sellers of Securities also Beware?

A. See pages 70–81; see the Bibliography on pages 212–21, and consult Numbers: 2, 29, 40.

B. Things to Do

Gather information as to the losses of individuals or groups in your community through the purchase of worthless securities.

Have members of the group who are willing tell their own experiences in the purchase of securities.

Interview representative citizens, securing their opin-

ion of the wisdom and effects of the National Securities Act of 1933, and the Securities and Exchange Act of 1934.

Clip newspaper editorials and news in regard to these Acts. Write to the Securities and Exchange Commission, Washington, for information about the regulation of the sales of securities.

C. Conflicting Points of View

"The regulation of the sale of securities was obviously much needed, the public is now protected, and will be in the long run. We will need the new laws to curb the piracy of some sellers of securities and to control the 'debt machine.'"

"The history of 'regulation' of private enterprise in the United States is a sorry one. Regulatory boards are sooner or later dominated by big business and the consumer is gypped once more. Finance should be a public enterprise."

"Free competition is the only answer. In this way we develop strong leaders in finance, who in turn benefit the public by their numerous enterprises. Let us therefore return to the old regime."

D. Questions for Discussion

1. What have been the noticeable effects in your community of the Acts regulating the sale of securities?
2. What groups generally oppose the Securities Act? Why?
3. What groups generally favor it? Why?
4. Should the principle of "let the seller beware" be rigidly applied to other enterprises than the sale of securities?
5. What can we do to lessen the attitude of "the public be damned" in business enterprises?

Discussion 9. How Should Unemployment Relief Be Handled?

A. See pages 88–91; see the Bibliography on pages 212–21, also consult Numbers: 1, 11, 18.

B. Things to Do

Study and report on the changes which have been made in your community in the handling of unemployment relief between 1929 and 1934.

Try to get information on the extent to which relief which does not get into the statistics is carried on, i.e., friends helping friends, relatives helping relatives, etc.

Write to the Federal Emergency Relief Administration, Washington, for their latest reports on relief activities, and on projected programs.

Write to your state relief headquarters for the latest figures and activities.

C. Conflicting Points of View

"The federal relief efforts have made relief much more adequate. They have raised standards. They have recognized the principle that all of the people shall have the primary responsibility for relief in an international disaster."

"Our relief methods are still inadequate, and are a disgrace for the wealthiest nation in the world. We should really modernize relief, get rid of our localized and antiquated methods, and really start in and do a good national job."

"The federal government should plan to get out of relief activities as soon as possible, and let local and private agencies take up the burden. People on relief must be kept uncomfortable, so that they will be more anxious to work. Private charity is good because it helps him that gives as well as him that receives."

D. Questions for Discussion

1. In what ways and to what extent is our community now being assisted by state and federal funds?
2. What are the present prospects of the continuation of unemployment relief in your community?
3. What would be a fair "code" for community treatment of the unemployed? (Some unemployed groups have drawn up codes. Inquire if one has been written in or near your community).
4. What changes would you propose in the handling of unemployment relief in your community?
5. What opinion is there in the group in favor of having the federal government put all the unemployed capable of working to some useful public work?
6. How do you think this might be done? What would likely be some results?

Discussion 10. Must We Choose a Foreign Policy?

A. See pages 103–20; see the Bibliography on pages 212–21, and consult Numbers: 50, 51, 52, 60, 63, 64, 74.

B. Things to Do

Write to the Foreign Policy Association, New York, for copies of *America Must Choose,* by H. A. Wallace, (25 cents each) and have members of the group explain:

1. The international course
2. The middle course
3. The nationalistic course

Clip the newspapers read most widely in your community for recent references to foreign policy.

Interview representative citizens asking them if they favor a "flexible tariff" to the extent recently granted to the President.

Interview representative citizens asking them what they think is the most important international action that the Roosevelt Administration has taken.

C. Conflicting Points of View

"Wholehearted internationalism will result in the long run in division of labor among the nations and bring the highest and most diversified standard of living to all. We shall all prosper the most as we trade the most freely."

"We can plan our own course without the help of other nations. Their buying power is gone, not soon to return. We can be fairly self-contained. Let us therefore be as self-sufficing as we possibly can."

"A middle course, between the two above, is the wisest for us as a nation. Let us therefore take in some new imports, so as to do the least damage to domestic industries, and also expand to some extent our international trade. This is also politically the most practical."

D. Questions for Discussion

1. What noticeable changes of opinion, if any, have recently taken place in your community in regard to the international relations of the United States?

2. What groups in your community are for a policy as self-contained as possible? Why?

3. What groups in your community are for a policy as international as possible? Why?

4. To what degree, roughly, could the nation be self-sufficient? What products would your community have to import? (Make a rough list.)

5. By what methods do you believe the United States can be led toward a more coöperative attitude among the nations?

6. To what extent should our relationships with other countries be determined by what is most profitable to us financially?

7. What can individuals do about it?

Discussion 11. What Kind of Long-Time Planning Do We Want?

A. See pages 168–81; see the Bibilography on pages 212–21, and consult Numbers: 5, 72, 73, 74, 78, 84, 85, 86.

B. Things to Do

Have members of the group prepare to report briefly on why the following courses are favored by individuals and groups:

1. A frankly experimental policy, with not too much concern about the ultimate end.

2. A policy leading directly to socialism, with the public ownership of the means of production, distribution, and finance.

3. The corporate state, as represented by the fascism of Italy.

4. The communistic state as represented by the government of Russia.

C. Conflicting Points of View

"Not only are we being forced to experiment, but an experimental policy is the most hopeful. It will preserve many of our liberties, and enable us to work out a middle-of-the-road economic plan which will be well adapted to our essentially middle-class heritage."

"The New Deal should be followed by socialism. We should set up more and more experiments in public ownership. Private enterprise is failing. It cannot hope to cope with the problems which technical advance is bringing. A workers' democracy is needed."

"We should regard the New Deal as a flurry and a by-path, and return as soon as possible to the ways of our fathers. These ways have been tested and tried. They have surmounted all the difficulties of previous depressions, and they will work in the future."

"If planning is necessary, a dictatorship must be the means of carrying it out. You cannot really plan with a free press and freedom of speech. New systems must be imposed by force."

D. Questions for Discussion

1. How many of us believe that long-time economic planning in some form is really necessary? Why?
2. What are the advantages and disadvantages of an experimental policy, as represented by the New Deal?
3. What are the advantages and disadvantages of socialism?
4. What are the advantages and disadvantages of dictatorship to insure effective planning?
5. The choice is now before us: which kind of planning do we choose?

Discussion 12. Should Communities also Plan?

A. See pages 168–81; see the Bibliography on pages 212–21, and consult Numbers: 82, 92, 93, 94, 96, 97, 98.

B. Things to Do

Secure information about the planning board or commission of your community, if there is one, or that of a community near by.

Write to your state planning board, if there is one, for information as to activities. (A small number of states have recently appointed such boards.)

Write to the National Planning Board, Department of the Interior, Washington, D. C., for data about activities and proposed projects.

Interview representative citizens, asking them how they think your community could be better planned.

C. Complicating Points of View

"Communities should plan along with the nation. Plans should be well-integrated and coördinated, national, state, and local. Every community should have a

planning board or committee, with a wide scope of activities."

"Communities should throw themselves into a plan, but should at the same time develop the means of critical discussion of plans. Therefore forums, study groups, etc. should be held simultaneously with planning."

"Neither communities nor the nation should plan. Local initiative and freedom of action should be carried out so far as possible."

D. Questions for Discussion

1. What evidence is available that our community has learned better planning during the past few years?
2. Should communities go on planning, even though they are not scared?
3. How may a community develop critical discussion along with crusading for a plan?
4. Take a fresh look at your community: How would it look if it were well and completely planned? What wastes, what sources of disease, would be removed? What resources would be more effectively used?
5. What can we do to encourage better planning in our community?

Discussion 13. What Are the Ethical and Religious Aspects of Planning?

A. See pages 182–90; see the Bibliography on pages 212–21, and consult Numbers: 103, 104, 107, 108, 110.

B. Things to Do

Compare the Social Ideals of the Churches (5 cents each from the Federal Council of Churches, New York) with the New Deal. (Summary published on page 147). Which statements in the Ideals are fairly well along toward application? On which have beginnings been made? Which have not been attempted?

Collect public statements made by lay and clerical religious leaders of the community in regard to the New Deal.

Interview ministers and leaders in religious education, asking how they feel about the current experiments in economic planning.

C. Conflicting Points of View

"To be religious you must be willing to submit your destiny to social control and planning for the general welfare, rather than practicing thrift and trying to provide for your own future. The weight of religious opinion should therefore be thrown on the side of thorough social planning."

"Let us not be too sure about the values of economic planning. Life is both individual and social. There are probably values in economic planning, but let us also hold on to the tested values of our historic individualism."

"The main purpose should be to develop real individuals and let them decide for themselves about social issues. Let us not be committed as religious organizations to social action, but leave all such matters to the consciences of good men and women."

D. Questions for Discussion

1. What practices and standards are called for in a planned society as contrasted with a more competitive society?

2. Is a planned society more likely, or less likely, to exalt the motives of workmanship, sportsmanship, security, service, etc., than a competitive society?

3. What changes, if any, are called for in the programs of churches and religious organizations?

4. Draw up an "ethical balance sheet" of the New Deal to date. What gains? What losses?

B. Directory of New Government Agencies

All of the following agencies may be addressed at Washington, D. C.

NEC	National Emergency Council. This is the coördinating body of the New Administrations and of the established government departments. It serves also as a center of information. It maintains at its headquarters in Washington, The United States Information Service, which may be consulted by visitors to Washington, or by correspondents. Other agencies follow in alphabetical order:
AAA	Agricultural Adjustment Administration
CCC	Commodity Credit Corporation
CCC	Civilian Conservation Corps, maintained by the Emergency Conservation Work
ECW	Emergency Conservation Work
EHFA	Electric Home and Farm Authority, under the Tennessee Valley Authority
EIB	Export-Import Bank
FACA	Federal Alcohol Control Administration
FCA	Farm Credit Administration
FCC	Federal Communications Commission
FCT	Federal Coördinator of Transportation
FDIC	Federal Deposit Insurance Corporation
FERA	Federal Emergency Relief Administration
FHA	Federal Housing Authority
FFMC	Federal Farm Mortgage Corporation, under the Farm Credit Administration
FHLB	Federal Home Loan Board
FSLA	Federal Savings and Loan Associations
FSLIC	Federal Savings and Loan Insurance Corporation
FSRC	Federal Surplus Relief Corporation
HOLC	Home Owners' Loan Corporation
NLRB	National Labor Relations Board
NPB	National Planning Board, under the Public Works Administration
NRA	National Recovery Administration
NRAB	National Railway Adjustment Board
PWA	Public Works Administration
RFC	Reconstruction Finance Corporation

SEC Securities and Exchange Commission
SHD Subsistence Homesteads Division of the Department of the Interior
TVA Tennesee Valley Authority
TVAC Tennessee Valley Associated Coöperatives, under the Tennessee Valley Authority

OFFICES OF STATE DIRECTORS, NATIONAL EMERGENCY COUNCIL

Alabama: 201 Liberty National Life Building, Birmingham.
Arizona: 704 Heard Building, Phoenix.
Arkansas: 430 Donaghey Building, Little Rock.
California: 1095 Market Street, San Francisco.
1163 South Broadway, Los Angeles (branch).
Colorado: 720 U. S. National Bank Building, Denver.
Connecticut: 301 Federal Building, Hartford.
Delaware: Mullin Building, Wilmington.
Florida: U. S. Federal Building, Jacksonville.
Georgia: 625 Citizens and Southern National Bank Building, Atlanta.
Idaho: 325 Idaho Building, Boise.
Illinois: Wrigley Building, 400 North Michigan Avenue, Chicago.
Indiana: Meridian Life Building, Indianapolis.
Iowa: 418 Old Federal Building, Des Moines.
Kansas: 212 Post Office Building, Topeka.
Kentucky: 408 Federal Building, Louisville.
Louisiana: 214 Customhouse, New Orleans.
Maine: 327 Water Street, Augusta.
Maryland: 130 Customhouse, Baltimore.
Massachusetts: 80 Federal Street, Boston.
Michigan: 415 Federal Building, Detroit.
Minnesota: 900 Roanoke Building, Minneapolis.
Mississippi: 613 Standard Life Building, Jackson.
Missouri: Suite 1216, 506 Olive Street, St. Louis.
Montana: 604 Power Block Building, Helena.
Nebraska: 511 Federal Building, Omaha.
Nevada: Old Federal Building, Reno.
New Hampshire: Phoenix Hotel, Concord.
New Jersey: Industrial Office Building, 1060 Broad Street, Newark.
New Mexico: Post Office Building, Santa Fe.
New York: 45 Broadway, New York City.
North Carolina: U. S. Post Office Building, Greensboro.
North Dakota: Room 7, Eltinge Building, 201½ Third Street, Bismarck.
Ohio: 501 Bulkley Building, Cleveland.
Oklahoma: 427 Commerce Exchange Building, Oklahoma City.

Oregon: Park Building, Park and Alder Streets, Portland.
Pennsylvania: 401 Law and Finance Building, Pittsburgh.
Rhode Island: 17 Exchange Street, Providence.
South Carolina: 704 Peoples Building, Charleston.
South Dakota: 1324 South Minnesota Avenue, Sioux Falls.
Tennessee: 229 Federal Building, Memphis.
Texas: 1011 Frost Bank Building, San Antonio.
Utah: 1103 Boston Building, Salt Lake City.
Vermont: 404 Federal Building, Rutland.
Virginia: 936 Central National Bank Building, Richmond.
Washington: 1730 Exchange Building, Seattle.
West Virginia: 609 Kanawha Valley Bank Building, Charleston.
Wisconsin: 319 South, State Capitol, Madison.
Wyoming: Post Office Building, Casper.

C. Selected Bibliography *

The following bibliography includes a variety of references to the more recent and accessible materials available on the subject matter of this book. The titles are numbered, and specific references have been made to many of them in the discussion syllabus. They are also classified as follows: Those marked (A) are the more popular and accessible works; those marked (B) are more advanced reading for the lay person; those marked (C) are the more technical references.

General Works

1. *Daily Revised Manual of Emergency Recovery Agencies and Facilities.* Washington, National Emergency Council. $1.50 a year. An official loose-leaf handbook, frequently revised, describing in question and answer form the services of the new government agencies. (A)
2. *The New Deal In Action.* Washington, Speakers' Bureau, National Recovery Administration, 1934. Mimeographed. A brief official outline of the President's Recovery Program. (A)
3. *The Future Comes.* By Charles A. Beard and G. H. E. Smith. New York, The Macmillan Company, 1933. $1.75. An interesting and useful interpretation of the New Deal. (A)
4. *The Menace of Recovery.* By William MacDonald. New York, The Macmillan Company, 1934. $2.50. Presents a highly critical view of the New Deal, contending it will not bring recovery. (C)
5. *Study Guide to National Recovery.* By Harold O. Rugg and Marvin Krueger. New York, The John Day Company, 1933. 25 cents. A guide to a variety of materials under important questions related to the New Deal. (B)
6. *The Economic Basis of Politics.* By Charles A. Beard. New York, Alfred A. Knopf, 1934. $1.25. A valuable historical discussion of the problem of government in reconciling economic interests. (B)
7. *Handbook of Revolutions.* By Roger Shaw. New York, Review of Reviews Co., 1934. $1.00. Brief descriptions of a score of important revolutions throughout history. (B)
8. *Our Economic Society and Its Problems.* By R. G. Tugwell and H. C. Hill. New York, Harcourt & Brace, 1934. $2.50. A readable treatment of many fundamental issues. (B)

* All books in this list may be secured at publishers' prices through the Association Press, 347 Madison Ave., New York, N. Y.

Industry — Public Works — Labor — Unemployment

9. *What Is The NRA? — A Guide for Study and Discussion.* Compiled under the direction of Charles F. Horner. Washington, D. C., National Recovery Administration, 1934. A primer on the NRA—why we have it—how it works. (A)
10. *The ABC of the NRA: An Analysis for the General Reader.* By Charles L. Dearing, Paul T. Homan, Lewis L. Lorwin, and Leverett S. Lyon. Washington, D. C., The Brookings Institution, 1934. $1.50. A fairly popular interpretation by a group of independent economists. (B)
11. *Our Government's Relation to Industry and the Railroads.* By Samuel Everett and Leon C. Marshall. New York, Teachers College, 1933. 25 cents. A discussion of NRA and of railroad coordination. (A)
12. *Industry and Society.* By Arthur James Todd. New York, Henry Holt and Company, 1933. $3.75. A thorough treatment by an expert on industrial relations. (C)
13. *Miners and Management.* By Mary Van Kleeck. New York, Russell Sage Foundation, 1934. $2.00. An incisive study of the coal industry in the United States. (B)
14. *The Child Labor Amendment.* By Courtenay Dinwiddie. New York, National Child Labor Committee. 1933. A brief discussion. (A)
15. *Unemployment's Humpty-Dumpty.* By Elsie D. Harper and Ruth Steinmetz. New York, Woman's Press, 1932. 15 cents. Study course in three lessons "for the busy woman." (A)
16. *Our Labor Movement Today.* By Katherine Pollack. Katonah, N. Y., Brookwood Labor College, 1932. 35 cents. Describes recent trends and movements, from a radical point of view. (B)
17. *Wisconsin Unemployment Insurance.* By Roger S. Hoar. Milwaukee, The Stuart Press, 1934. $4.50. Describes the first state plan of unemployment insurance in the United States. (C)
18. *Unemployment Relief and Public Works.* By Leon C. Marshall. New York, Teachers College, 1933. 25 cents. The national programs for relief and public works are described.

Agriculture — Rural Problems

19. *One Year of the AAA: The Record Reviewed.* By Chester C. Davis. Washington, D. C. Agricultural Adjustment Administration. A reprint of an article in *The New York Times.* (A)

20. *The Farm Act of 1933: Its Place In The Recovery Program.* By Edmund de S. Brunner. New York, Bureau of Publications, Teachers College, Columbia University, 1933. 25 cents. An introduction to the Agricultural Adjustment Act. (A)
21. *Meeting the Farm Crisis.* By J. H. Kolb. Chicago, American Library Association, 1933. 25 cents. A brief discussion of recent actions, including a reading list. (A)
22. *Economic Bases for the Agricultural Adjustment Act.* By Mordecai Ezekiel and Louis H. Bean. Washington, D. C., United States Government Printing Office, December, 1933. The economic factors with which the Farm Act is grappling. (C)
23. *Agricultural Adjustment.* Washington, D. C., Superintendent of Documents, 25 cents. A report of administration of the Agricultural Adjustment Act, May, 1933 to February, 1934. (B)
24. *Taxation of Farm Property.* By Whitney Coombs. Washington, D. C., United States Department of Agriculture. Technical Bulletin No. 172, 1930. 15 cents. A national investigation. (B)
25. *Social Aspects of Agricultural Credit.* By Benson Y. Landis. New York, Federal Council of the Churches of Christ in America, 1927. 25 cents. An introduction to the farm credit situation. (B)

FINANCIAL QUESTIONS

26. *Gold and Your Money.* By Willard E. Atkins. New York, McBride & Company, 1934. $1.75. A critical but elementary treatment of the functions of gold as a monetary base. (B)
27. *Dollars.* By Lionel D. Edie. New Haven, Conn., Yale University Press, 1934. $2.50. A fairly popular discussion of the functions of money, by one favoring a managed currency. (B)
28. *Inflation — Who Wins and Who Loses?* By Maymard C. Krueger. Chicago, Socialist Party of America, 1934. 10 cents. A clear exposition of the socialist viewpoint regarding the advisability of stable currency. (A)
29. *Money, Credit and Banking in the United States.* By Dorothy Brown Peiffer. Washington, D. C., American Association of University Women, 1934. 50 cents. A syllabus for group study. (B)
30. *Kemmerer on Money.* By Edwin Walter Kemmerer. Philadelphia, The John C. Winston Company, 1934. $1.50.

Professor Kemmerer's conservative views on current monetary issues. (B)

31. *Devaluation of the Dollar.* By Charles O. Hardy. Chicago, University of Chicago Press, 1933. 25 cents. An argument against devaluation. (B)
32. *Rubber Dollars.* By Wheeler McMillen. New York, The Committee for the Nation, 1933. Free. Lively argument for the commodity dollar. (A)
33. *Money Changers vs. The New Deal.* By Harry Elmer Barnes. New York, Ray Long and Richard R. Smith, 1934. $1.00. Sharp attack on the bogies that surround inflation; favors managing the currency.
34. *Should We Turn To Silver?* By Herbert M. Bratter. Chicago, University of Chicago Press, 1933. 25 cents. Brief treatise of a current issue. (A)
35. *Silver.* By Y. S. Leong, Washington, D. C. Brookings Institution, 1933. $2.00. A thorough study, touching on the international aspects. (C)
36. *The Measurement of American Wealth.* By Robert A. Doane. New York, Harper & Brothers, 1933. $4.00. A thorough treatment of our total resources. (C)
37. *The International Debts of the United States.* By Evans Clark, et al. New York, The Macmillan Company, 1933. $4.50. An exhaustive investigation. (C)
38. *Debt Relief: An Aid to Recovery.* By James E. Mendenhall and Edmund de S. Brunner. New York, Teachers College. Debtors are described. (A)
39. *Funds and the Financial System.* By Leon C. Marshall. New York, Teachers College, 1933. 25 cents. The Administration's monetary and financial program interpreted. (B)
40. *The Federal Securities Act, Pro and Con.* Washington, D. C., *Congressional Digest,* May, 1934. 50 cents a copy. Including a debate between the Committee on Security Regulation of the United States Chamber of Commerce and James M. Landis, Federal Trade Commissioner. (A)
41. *A Tax Policy for the United States.* By Harold M. Groves. New York, *The New Republic,* 1934. 25 cents. Thorough outline of a national tax program. (B)

Consumers' Interests

42. *Discovering Consumers.* By M. C. Phillips and F. J. Schlink. New York, The John Day Company, 1934. 25 cents. Lively discussion of the protection needed by consumers; good introductory source for consumers' problems. (A)
43. *Consumers' Research.* Washington, N. J. Confidential Service, $2.00 a year. Non-confidential *General Bulletin,*

quarterly, $1.00 a year. First aid and guidance for consumers. (A)

44. *America's Answer — Consumers' Coöperation.* By E. R. Bowen. New York, The Cooperative League, 167 West 12th Street. 10 cents. A plea for the consumers' coöperative movement.
45. *Price Control Devices in NRA Codes.* By George W. Terborgh. Washington, D. C., The Brookings Institution 1932. 50 cents. An economist's study of an important aspect of the NRA. (C)
46. *Coöperation Here and Abroad.* By Hugh J. Hughes. New York, The Coöperative League, 1933. 5 cents. The consumers coöperative movement in many lands. (A)
47. *What Is Consumers' Coöperation?* By James Peter Warbasse. Bloomington, Ill. Central States Coöperative League, 1932. 5 cents. A brief interpretation. (A)
48. *Consumers' Guide.* Washington, D. C. Consumers' Counsel of the Agricultural Adjustment Administration. Issued bi-weekly. Available on application. Presents guidance for consumers and data on price trends. (A)
49. *Social Credit.* By H. C. Douglas. New York, W. W. Norton and Company, Inc., 1933. $2.00. The "Douglas Plan" for increasing consumption. (B)

INTERNATIONAL

50. *America Must Choose.* By Henry A. Wallace. New York, The Foreign Policy Association and the World Peace Foundation, 1934. (World Affairs Pamphlet No. 3) 25 cents. Mr. Wallace's outline of the three foreign policies from which the nation must choose. (A)
51. *World Depression: World Recovery.* By Harry D. Gideonse. Chicago, American Library Association, 1933. 25 cents. An international view of the economic situation. (B)
52. *International Economic Recovery.* By H. G. Moulton. Minneapolis, University of Minnesota Press, 1933. 25 cents. Points out the world movements influencing the United States. (B)
53. *The New Internationalism.* By Clark Foreman. New York, W. W. Norton & Company, 1934. $1.75. Describes recent factors and trends in the international situation. (B)
54. *The World Economic Depression: A Study of Possible Ways Out.* By Colston E. Warne. Washington, D. C., American Association of University Women, 1933. 50 cents. (B)
55. *Political Handbook of the World, 1934.* Edited by Walter H. Mallory. New York, Harper & Brothers, 1934. $2.50. A handy reference work describing parliaments, parties, press, etc., the world over. (C)

56. *Must We Have War?* By Ascher Henkin. Boston, Bruce Humphries, Inc., 1934. $2.50. A discussion in terms of the immediate situation. (B)
57. *Property or Peace?* By H. N. Brailsford. New York, Covici Friede, 1934. $3.00. Discusses the disrupting influence of property on the peace of the world. (A)
58. *Economic Causes of War and the Hope for the Future.* By Beatrice P. Lamb. Washington, D. C., National League of Women Voters, 1932. 40 cents. Useful for group study. (A)
59. *The ABC of War Debts.* By Frank H. Simonds. New York, Harper & Brothers, 1933. $1.00. An introduction to the essentials of the problem. (B)
60. *Arms and the Men.* Article in "Fortune." New York, Doubleday, Doran Co., 1934. 10 cents. A widely read "primer" on armament makers who prolong war and disturb peace.
61. *Merchants of Death.* By H. C. Engelbrecht and F. C. Hanighen. New York, Dodd, Mead & Company, 1934. $2.50. A thorough investigation of the armament manufacturers in various nations.
62. *The United States and the War Debts.* By Beatrice P. Lamb. Washington, National League of Women Voters, 1933. 15 cents. An elementary discussion. (A)
63. *The Inter-Allied Debt.* By Maxwell S. Stewart. New York, Foreign Policy Association, 1932. 25 cents. Brief description of the debts and their international significance. (B)
64. *The Truth About "Buy American."* By C. K. Alexander and others. Madison, Wis., Research Associates, 1933. 15 cents. "Punctures the bubble" about a slogan. (A)
65. *Autarchy: National Self Sufficiency.* By Charles S. Tippetts. Chicago, University of Chicago Press, 1933. 25 cents. The possibility of "self-containment" as a national policy. (A)
66. *The Two Americas.* By Stephen Duggan. New York, Charles Scribner's Sons, 1934. $1.75. Latin America and North America, described and contrasted. (B)
67. *Problems of the Pacific.* Edited by Bruno Lasker and W. L. Holland. Chicago, The University of Chicago Press, 1934. $5.00. A thorough source book of data on current questions. (C)
68. *Soviet Russia: 1917–1933.* By Vera Micheles Dean. New York, Foreign Policy Association, 1933. 25 cents. A valuable summary of trends and developments. (A)
69. *Russia Today.* By Sherwood Eddy. New York, Farrar and Rinehart, Inc., 1934. $2.50. A popular and valuable interpretation. (A)
70. *International Economics: A Study Course and Biography.* Washington, D. C., American Association of University Women, February, 1932. 50 cents. (B)

71. *Peace Forces Today.* (Reading List No. 27, rev. ed.) Washington, D. C., The Library of the Carnegie Endowment for International Peace, 1934. Selected references of recent books and articles on various aspects of the peace movement. (C)

TYPES OF PLANNING

72. *The Choice Before Us.* By Norman Thomas. New York, The Macmillan Company, 1932. $2.50. Outlines five possible roads for the future, and includes comments on recent public affairs. (A)
73. *The Method of Freedom.* By Walter Lippmann. New York, The Macmillan Company, 1934. $1.50. Discusses the possibility of planning under a democracy, and evolving a "free collectivism." (B)
74. *The Framework of An Ordered Society.* By Arthur Salter. New York, The Macmillan Company, 1933. 75 cents. A brief discussion of the essentials of an economic plan, including the international aspect. (B)
75. *The Coming American Revolution.* By George Soule. New York, The Macmillan Company, 1934. $2.50. Contends that developments in the United States fit into a pattern of great revolutions. (B)
76. *Economic Reconstruction.* Report of the Columbia University Commission. New York, 1934. $3.00. A thorough survey, including suggestions of useful policies in planning. (C)
77. *Reflections on the End of an Era.* By Reinold Niebuhr. New York, Charles Scribner's Sons, 1934. $2.00. A penetrating and pessimistic discussion of this age of transition. (B)
78. *Pragmatism and the Crisis of Democracy.* By Charles W. Morris. Chicago, The University of Chicago Press, 1934. 25 cents. Contends that pragmatism is the voice of America and its source of strength. (B)
79. *Instead of Dictatorship.* By Henry Hazlitt. New York, The John Day Company, 1933. 25 cents. A plea for avoiding dictatorship. (B)
80. *The Economy of Abundance.* By Stuart Chase. New York, The Macmillan Company, 1934. $3.00. The possibilities of the coming age of plenty. (A)
81. *Social Reconstruction: A Study Guide.* By Harold O. Rugg and Marvin Krueger. New York, The John Day Company, 1933. 75 cents. Introduction to a wide variety of social systems. (B)
82. *Public Ownership — Here and Abroad.* By Harry W. Laidler.

New York, League for Industrial Democracy, 1931. 15 cents. Brief discussion of various public projects. (A)

83. *A Socialist Looks at the New Deal.* By Norman Thomas, New York, League for Industrial Democracy, 1933. 10 cents. An appraisal of the new government programs. (A)
84. *Communism, A Symposium.* By Bertrand Russell, John Dewey, Morris R. Cohen, and Sidney Hook. New York, (52 Morton St.), *The Modern Monthly,* April, 1934. (B)
85. *Do We Want Fascism?* By Carmen Haider. New York, The John Day Company, 1934. $2.00. A discussion aimed at citizens of the United States. (B)
86. *Technocracy, An Interpretation.* By Stuart Chase, The John Day Company, 1933. 25 cents. (A)
87. *Unemployment Insurance.* By Gertrude Wolff. New York American Education Press, Inc., 1932. 15 cents. An elementary discussion of the need for unemployment insurance. (B)
88. *The Guilds of America.* By Henry Creange. New York, The Guilds of American Foundation, Inc., 1934. $3.75. A plea for a modernized guild system. (C)
89. *The Constitution.* By Frank Abbott Magruder and Guy Shirk Claire. New York, McGraw Hill Book Company, Inc., 1933. $2.50. A treatise on the social significance of the constitution. (C)
90. *Our Obsolete Constitution.* By William Kay Wallace. New York, The John Day Company, 1932. $2.00. Presents the view that the constitution needs to be radically revised. (C)
91. *The Twelve Inch Shelf.* By John W. Herring and Ethel C. Phillips. New York, American Committee on Economic Policy, 112 East 19th Street, 1934. 25 cents. A pocket library of economics, listing many pamphlets on a variety of subjects. (A)

Community Planning

92. *Citizens' Councils News Bulletin.* 309 East 34th Street, New York, N. Y. Mimeographed. Data on efforts of citizens for constructive spending in their communities. (A)
93. *Community Planning in Unemployment Emergencies.* New York, Russell Sage Foundation, 1930. 25 cents. Description of types of local projects. (B)
94. *General Information Concerning the Purpose and Policies of the Division of Subsistence Homesteads.* United States Department of the Interior, Division of Subsistence Homesteads, Washington, D. C. Circular No. 1, November 15, 1933. (A)
95. *Land Settlement as a Relief Measure.* By R. W. Murchie. Minneapolis, Minnesota, The University of Minnesota

Press, 1933. 25 cents. Describes actual experiences in land settlement. (A)

96. *Economic Planning.* New York, *The Survey Graphic,* March, 1932. 50 cents. Interesting presentations of types of economic planning. (A)

97. *Less Government or More?* By Louis Brownlow and S. Archer. Chicago, American Library Association, 1933. 25 cents. Discusses current local governmental issues. (A)

98. *Municipal Housing.* By Helen L. Alfred. New York, The League for Industrial Democracy, 1932. 10 cents. The way some cities build houses for their people. (A)

99. *Dare the School Build a New Social Order?* By George S. Counts. New York, The John Day Company, 1932. 25 cents. A challenge to the schools. (A)

100. *Promise of Power.* By Stuart Chase. New York, The John Day Company, 1932. 25 cents. Prophecy of increased productivity and its possibilities. (A)

101. *City Management: The Cincinnati Experiment.* By Charles P. Taft. New York, Farrar & Rinehard, 1933. $2.50. A description of a well-governed city by a prominent participant. (B)

102. *One Hundred Reasons Why One Hundred Cities Have Municipal Ownership of Their Public Utilities.* By E. R. McDonnell. Chicago, Public Ownership League of America. 5 cents. (A)

Ethical and Religious Aspects of Planning

103. *Statesmanship and Religion.* By Henry Wallace. New York Round Table Press, Inc., 1934. $2.00. A prophetic statement of the need for religious motivation of economic planning. (A)

104. *Incentives Under Capitalism and Socialism.* By Harry W. Laidler. New York, League for Industrial Democracy. 1933. 15 cents. A practical discussion of the problem of incentives. (A)

105. *Motives of Men.* By George A. Coe. New York, Charles Scribner's Sons, 1928. $2.50. A clear and thorough treatment on motivation. (B)

106. *Individualism and Socialism.* By Kirby Page. New York, Farrar and Rinehart, Inc., 1933. $2.50. Contrasts between the two, and a plea for socialism. (B)

107. *Why Are There Rich and Poor?* By Abel J. Gregg. New York, Association Press, 1932. 25 cents. A discussion for young people's groups of pertinent economic questions. (A)

108. *Social Ideals of the Churches.* New York, Federal Council of the Churches of Christ In America. 5 cents. New and revised edition as passed by the Quadrennial Meeting of

the Federal Council of Churches at Indianapolis, December 8, 1932. (A)

109. *Toward Social Justice.* By R. A. McGowan. Washington, D. C., National Catholic Welfare Conference, 1932. 15 cents. An introduction to Catholic social teaching. (B)

110. *Conclusions and Recommendations—The Report of the Commission on the Social Studies in the Schools.* Sponsored by the American Historical Association. New York, Charles Scribner's Sons, 1934. $1.25. A brilliant and useful statement of the problem of teaching social science in the present situation. (B)

111. *A Call to the Teachers of the Nation.* Progressive Education Association. New York, The John Day Company, 1932. 25 cents. Challenges teachers with the social situation. (A)

112. *Social Security in the United States.* New York, American Association for Social Security, Inc., 1933. $1.00. Thorough data on need for security and what is being done about it. (A)

113. *Meeting Risks.* By Ralph H. Blanchard. New York, American Education Press, Inc., 1933. 15 cents. The need for social insurance against risks. (A)

Pamphlet Series

Below are listed certain current series of pamphlets. Many of the foregoing titles have been taken from these series.

"Unit Study Booklets." New York, American Education Press. 15 cents each.

"Economic Series." National Advisory Council on the Radio in Education. Chicago, University of Chicago Press. 10 cents each.

"Exploring the Times Series." Chicago, American Library Association. 25 cents each.

"Public Policy Pamphlets." Chicago, University of Chicago Press. 25 cents each.

"National Crisis Series." New York, Teachers College, Columbia University. 25 cents each.

"The Day and Hour Series." Minneapolis, University of Minnesota Press. 25 cents each.

"International Conciliation Pamphlets." New York, Carnegie Endowment for International Peace. 5 cents each. 25 cents a year.

"John Day Pamphlets." New York, The John Day Company. 25 cents each.

"Chase Economic Bulletins." New York, Chase National Bank. Free.

"World Affairs Pamphlets." New York, Foreign Policy Association and World Peace Foundation. 25 cents each.

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